

Department of Natural Resources  
**Economic & Revenue Forecast**

Fiscal Year 2025, Fourth Quarter  
June 2025





## Forecast Summary

**Lumber and Log Prices.** Between the beginning of 2023 and January 2025, lumber prices remained relatively stable and lower than the prior years, staying in between \$370/mbf and \$490/mbf (with one exception in December 2024, when it jumped above \$500/mbf), with an average of \$436/mbf. However, in the last couple of months, they have increased substantially, to around \$580/mbf.

Log prices generally follow the same trend as lumber prices, but the relationship is not one-to-one. Since the beginning of 2023, log prices have remained in a relatively narrow range - from around \$610/mbf to \$660/mbf. This is higher than most periods in the last 20 years in nominal terms, though not in real terms. Log prices haven't risen in the last couple of months, but it's likely they will rise if lumber prices remain high.

The outlook for both log and lumber prices is, on balance, that they will increase somewhat. However, as discussed at the end of this forecast summary, there have been multiple policies enacted or proposed that may meaningfully affect lumber or log prices, or both. While the policy uncertainty exists, we expect there to be price volatility, particularly with lumber. Log prices are typically bounded on the low end because timberland owners can usually wait to harvest until prices get better, so we expect less volatility in their prices.

**Timber Sales Volume.** The FY 25 timber sales volume forecast is increased from 430 mmbf to 445 mmbf. There have been fewer no-bids and legal delays to planned sales than we had forecast in March.

The volume forecast from FY 26 and onward is unchanged. However, the pause on timber sales with certain forest characteristics remains a significant source of uncertainty. The policy outcome at the end of that pause could have a substantial effect on the timber sales volume, particularly in FY 26.

Historically, a buffer of around 10 percent of

planned sales volume has been adequate to account for the typical risks to sales. However, for the last several years there has been increased opposition to DNR timber sales, both through challenges to sale approval and through lawsuits. Given these continued challenges and the uncertainty around the pause on certain sales, the FY 26 sales volume forecast lower than outlying years. Additionally, this forecast volume does not include any of the FY 25 sales that have been paused — there is no assumption that they will be moved into FY 26 or any of the outlying years.

### **Timber Sales Prices.**

The forecast timber sales price for FYs 25 is increased from \$375/mbf to \$405/mbf. This substantial increase is due to the very high prices from sales from February 2025 through May 2025. The sales in those four months had, overall, much higher prices than we had expected — averaging over \$400/mbf. In the previous forecast, we noted that sales from November 2024 through January 2025 had very high prices because they had a substantial amount of high value timber. The expectation was that because the sales weren't so heavy to high value timber, the average sales prices would be much lower. This was not the case.

The FY 26 sales price forecast is unchanged at \$340/mbf. This is lower than the outlying years because the reduced sales volume forecast is from sales that are typically higher value. Fewer high value sales will tend to reduce the average sales price. This will, of course, be reevaluated in the next forecast, but given the recent timber sales prices, it seems likely that this FY 26 price forecast will be too low.

Outlying years' prices are unchanged at the long-term average of \$350/mbf. This is based on the assumption that current opposition to DNR sales will resolve in such a way that prices will return to their long term average. This may be optimistic.

### **Timber Removal Volume and Prices.**

Forecast harvest volume is unchanged for all forecast years.

However, while the current forecast for FY 25 is possible, the risk is heavier to the downside. Harvests on DNR lands were slower than expected throughout FY 24. This was apparently largely due to readily available private logs, though weather issues likely contributed as well. And this trend continued in FY 25, where harvests have been much slower than previous years. The harvest volume forecast was reduced substantially in March.

To be clear, this is entirely unconnected to the pause on some types of timber sales.

Forecast removal volumes in FY 26 and 27 are unchanged.

Forecast timber removal prices are largely unchanged.

**Timber Revenue.** The timber revenue forecast is largely unchanged.

**Non-Timber Uplands Revenues.** In addition to revenue from timber removals on state-managed lands, DNR generates sizable revenues from managing leases on other uplands.

The overall forecast for non-timber uplands revenue is decreased down from \$47.2 to \$46.1 million for FY25 with a recovery back up to \$47.3 by FY27.

This is primarily caused by some orchard/vineyard lessees failing to meet their payment obligations. As a result, revenue is projected to temporarily decline in FY25 and partially in FY26 as DNR takes action to collect past due payment. Full recovery is expected shortly thereafter. However, this remains a significant risk to uplands revenue. The temporary decrease in orchard/vineyard revenue is partially offset by an increase in the forecast for the "other leases" category, mostly driven by the steady increases in revenue from renewable energy leases and other special uses going forward.

**Aquatic Revenues.** Water dependent lease revenue forecast is increased from \$7.5 million to \$7.8 million for FY25 and onward. This reflects the consistent performance of water dependent

leases over the last 3 years and is projected to continue.

Non-water dependent rent forecast is increased by \$0.5 million in FY25 which is a one-time back payment on a lease. There was about \$0.5 million higher than average amount of non-recurring revenue from easements and various special uses. This is incorporated as a one time increase in FY25 revenue.

The geoduck revenue for FY 24 is notably higher than the surrounding years because bonus bid revenue that had been expected in FY 23 was shifted into FY 24.

Geoduck revenue for this forecast is decreased in FYs 25-27, by \$1.5, \$2.8 and \$1.4 million respectively. Prior to the December 2024 auction, auction prices were expected to average

From the beginning of 2023 to the third quarter of 2024 geoduck auctions had an average price of \$11.60/lb, and, while there was still meaningful volatility, it stayed within a comparatively narrow range of \$10.25/lb to \$13.30/lb. That changed with the December auction, when prices dropped to \$8.40/lb. It was unclear whether the cause of the price drop was arsenic issues on some tracts and/or the possibility of reciprocal tariffs with China. Prices for the March 2025 auction were \$8.60/lb, suggesting that there had indeed been a step change in the price level for geoduck.

The geoduck price model was updated based on the assumption that the added uncertainty from tariffs would continue until mid-2026, that is, the whole of FY 26, and would have some residual effects through the end of 2026. These assumptions translate into a larger decrease in the FY 26 forecast, compared to FY 27.

The June 2025 geoduck auction — held as this report was being written but *not* included in the price forecast — had an average price of. This is about 20 percent lower than our current average price forecast of around \$8.50/lb. While this lends further weight to the hypothesis that there is a new average price level, there was a confounding issue where one of the tracts didn't clear its arsenic test until after the auction.

Aside from tariffs, the geoduck market faces a number of risks that can cause prices to vary wildly. In addition to what is discussed above, these include

- paralytic shellfish poison closures
- tracts testing positive for high arsenic
- weather issues - such as sewage contamination from flooding run-off
- China's economic performance overall

**Total Revenues.** The forecast revenue for the 2023-25 biennium is essentially unchanged at \$500 million, and decreased slightly by \$2.1 million to \$487 million for the 2025-27 biennium.

#### **Other notes to the Forecast.**

At the Departmental level, while the impact of the six-month pause on timber sales on select mature forests is relatively clear for FY 25, there remains uncertainty about what will happen in FY 26 and beyond. Since the previous forecast, there have been no substantive changes or updates on the pause, so the underpinning logic and numbers presented in the previous forecast continue to hold steady.

At the federal level, this past quarter has seen a flurry of policy announcements, amendments, pauses, retractions, and reimpositions. This has resulted in a volatile operating environment that directly impacts DNR revenue. Most notable is the unprecedented tariff rate hike on Chinese imports to nearly 130 percent, with China retaliating with tariffs rates at nearly 150 percent. Since that peak, U.S. and China have agreed to lower tariffs to 51 percent and 32 percent respectively, but these rates are still very high.

As discussed above, the high tariff on U.S. goods directly impacts Washington's geoduck industry, in particular, which is highly dependent on markets in China<sup>1</sup>. While there are secondary markets for Washington's geoduck, the high tariffs and volatility in tariffs appear to be resulting in substantial losses to both industry profits and DNR revenues. Additionally, a significant portion of the

wheat produced in Washington is marketed overseas. These will likely also see some effects.

It is unclear if and when these tariffs will deescalate or stabilize. However, as noted in the geoduck discussion, the assumption for this forecast is that tariffs uncertainty will remain until mid-2026 and there will be some residual effects after that. For revenue sources other than geoduck, we have not built in any effects of the tariffs, because not only are the tariff levels uncertain, but their ultimate effects are uncertain. For instance, tariffs on lumber could increase lumber prices in the U.S. and lead to timber price increases. But there could be countervailing pressures that nullify the effect.

Aside from the tariffs, earlier this year, executive orders were put forward to reduce US import of timber products and increase supply of timber from federal lands - with a target to increase harvests from federal lands by around 25 percent. While it is unclear what the magnitude or timing of this supply increase from federal lands will be, we are continuing to assume business as usual in the forecast for two reasons. First, the current harvest volume from federal lands is very small, so a 25 percent increase is also small. And second, evidence suggests that the federal government would be hard-pressed to expand supply given the reduced federal workforce.

As uncertainties around the policy environment persists, forecasts continue to be made based on the most likely scenarios with a reasonable degree of certainty, with a bias toward the status quo where there is significant uncertainty.

There are, as always, a number of other sources of uncertainty around DNR revenue specifically, and the overall economy more broadly. These include:

- uncertainty about the type and quality of stumpage DNR is able to bring to market more than six months out; and
- political tension with China directly affecting timber, agricultural products and geo-

<sup>1</sup><https://apnews.com/article/geoducks-china-us-tariffs-economy-849c8052fd0e679fa421c48d32ed1bc7>

duck exports and price.

Finally, climate change has emerged as a meaningful short- and long-term risk as opposed to an amorphous risk in the far future, as previously rare extreme weather events become more common. In 2021, drought in Washington decreased wheat production on DNR lands by about 40 percent. In September and October 2021, extraordinary rainfall in British Columbia destroyed roads and railways, essentially halting timber harvests, lumber production, and timber exports through the Port of Vancouver. And in mid-June 2022, there was concurrently: massive flooding in Montana and Wyoming, thunderstorms that took out power-grids in the Great Lakes, and a record setting heat-wave that killed over 2,000 cattle in Kansas<sup>2</sup>.

Climate change will increasingly affect Washington's fire seasons — drought and rising temperatures dry out fuels fast, leaving conditions ripe for wildfires to begin earlier in the year, burn longer, and spread more unpredictably than in the past. Although these haven't seriously affected DNR timberland revenue since 2015, they pose a significant risk to both our short-term timber revenue forecast — potentially destroying standing timber under contract — and long-term revenue by destroying younger stands that would be harvested in future decades. Research suggests that the massive fires in Oregon around Labor Day 2020 caused not only immediate damage, but will reduce future Oregon harvests by *115 to 365 mmbf per year for the next 40 years*. That, with the more immediate damage from the fires, suggests an overall economic impact of \$5.9 billion on Oregon's Forest Sector<sup>3</sup>.

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<sup>2</sup><https://www.washingtonpost.com/climate-environment/2022/06/16/summer-climate-disasters/>

<sup>3</sup>2020 Labor Day Fires: Economic Impacts to Oregon's Forest Sector, Oregon Forest Resources Institute ' ' <https://oregonforests.org/node/840> ' '

Table 1: June 2025 Forecast by Source (millions of dollars)

<b>Timber Sales</b>		FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29
Volume (mmbf)		552	546	429	477	397	445	470	500	500	500
	Change						15	-	-	-	-
	% Change						3%	0%	0%	0%	0%
Price (\$/mbf)		282	393	419	389	346	405	340	350	350	350
	Change						\$ 30	\$ -	\$ -	\$ -	\$ -
	% Change						8%	0%	0%	0%	0%
<b>Value of Timber Sales</b>		<b>155.3</b>	<b>214.2</b>	<b>179.7</b>	<b>185.6</b>	<b>137.5</b>	<b>180.1</b>	<b>159.8</b>	<b>175.0</b>	<b>175.0</b>	<b>175.0</b>
	Change						\$ 18.8	\$ -	\$ -	\$ -	\$ -
	% Change						12%	0%	0%	0%	0%
<b>Timber Removals</b>											
Volume (mmbf)		526	521	491	508	471	435	450	475	500	500
	Change						0	0	0	-	-
	% Change						0%	0%	0%	0%	0%
Price (\$/mbf)		347	342	363	386	383	362	362	350	348	350
	Change						1.7	0.3	(0.4)	(0.0)	-
	% Change						0%	0%	0%	0%	0%
<b>Timber Revenue</b>		<b>182.3</b>	<b>178.2</b>	<b>178.5</b>	<b>196.1</b>	<b>180.3</b>	<b>157.7</b>	<b>163.0</b>	<b>166.2</b>	<b>173.7</b>	<b>175.0</b>
	Change						0.8	0.2	(0.2)	(0.0)	-
	% Change						0%	0%	0%	0%	0%
<b>Upland Leases</b>											
Irrigated Agriculture		9.0	8.8	8.9	9.3	8.9	9.0	9.0	9.0	9.0	9.0
	Change						-	-	-	-	-
	% Change						0%	0%	0%	0%	0%
Orchard/Vineyard		8.8	9.4	8.2	9.4	8.4	8.0	8.0	8.4	8.4	8.4
	Change						(1.7)	(0.4)	-	-	-
	% Change						-18%	-5%	0%	0%	0%
Dryland Ag/Grazing		6.2	6.8	6.0	7.0	6.2	6.1	6.1	6.1	6.1	6.1
	Change						-	-	-	-	-
	% Change						0%	0%	0%	0%	0%
Commercial		10.3	11.3	11.2	11.1	9.7	10.6	11.2	11.2	11.2	11.2
	Change						-	-	-	-	-
	% Change						0%	0%	0%	0%	0%
Other Leases		10.0	13.7	11.9	12.3	12.3	12.4	12.4	12.6	12.4	12.6
	Change						0.6	0.6	0.6	0.6	0.6
	% Change						5%	5%	5%	5%	5%
<b>Total Upland Leases</b>		<b>44.3</b>	<b>50.0</b>	<b>46.3</b>	<b>49.1</b>	<b>45.4</b>	<b>46.1</b>	<b>46.7</b>	<b>47.3</b>	<b>47.1</b>	<b>47.3</b>
	Change						(1.1)	0.2	0.6	0.6	0.6
	% Change						-2%	0%	1%	1%	1%
<b>Aquatic Lands</b>											
Aquatic Leases		12.7	9.7	14.5	14.5	15.0	16.3	14.8	14.8	14.9	14.9
	Change						1.2	0.3	0.3	0.3	0.3
	% Change						8%	2%	2%	2%	2%
Geoduck		10.6	13.0	19.2	18.3	22.4	16.7	16.3	17.5	18.7	18.6
	Change						(1.5)	(2.8)	(1.4)	-	-
	% Change						-8%	-15%	-7%	0%	0%
<b>Aquatic Lands Revenue</b>		<b>23.4</b>	<b>22.6</b>	<b>33.8</b>	<b>32.8</b>	<b>37.3</b>	<b>33.0</b>	<b>31.1</b>	<b>32.3</b>	<b>33.6</b>	<b>33.5</b>
	Change						(0.3)	(2.5)	(1.1)	0.3	0.3
	% Change						-1%	-7%	-3%	1%	1%
<b>Total All Sources</b>											
		<b>249.9</b>	<b>250.8</b>	<b>258.6</b>	<b>278.0</b>	<b>263.0</b>	<b>236.8</b>	<b>240.8</b>	<b>245.7</b>	<b>254.4</b>	<b>255.8</b>
	Change						(0.6)	(2.1)	(0.7)	0.9	0.9
	% Change						0%	-1%	0%	0%	0%

Table 2: June 2025 Forecast by Fund (millions of dollars)

<b>Key DNR Operating Funds</b>		FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29
041	RMCA - Uplands	33.5	33.5	38.1	44.1	40.9	37.2	35.5	37.9	39.7	40.0
	Change						0.2	(2.8)	(0.9)	0.1	0.1
	% Change						0%	-7%	-2%	0%	0%
041	RMCA - Aquatic Lands	9.9	10.2	14.8	14.3	16.5	14.1	13.3	13.9	14.6	14.5
	Change						(0.3)	(1.3)	(0.6)	0.1	0.1
	% Change						-2%	-9%	-4%	1%	1%
014	FDA	28.3	27.2	23.9	19.3	19.4	19.4	21.3	20.5	21.2	21.4
	Change						0.2	2.0	0.5	(0.0)	(0.0)
	% Change						1%	11%	2%	0%	0%
21Q	Forest Health Revolving	8.5	11.4	14.1	24.4	14.1	8.6	10.7	11.7	11.3	11.3
	Change						(1.1)	1.7	1.3	0.6	0.6
	% Change						-11%	19%	13%	5%	5%
<b>Total DNR Key Operating Funds</b>		<b>80.3</b>	<b>82.4</b>	<b>90.9</b>	<b>102.2</b>	<b>90.9</b>	<b>79.2</b>	<b>80.8</b>	<b>84.0</b>	<b>86.8</b>	<b>87.2</b>
	Change						(1.0)	(0.3)	0.4	0.7	0.7
	% Change						-1%	0%	0%	1%	1%
<b>Current Funds</b>											
113	Common School Construction	59.5	53.2	57.6	67.3	63.5	58.3	57.9	62.4	65.8	66.2
	Change						(0.9)	(4.4)	(1.3)	0.1	0.2
	% Change						-2%	-7%	-2%	0%	0%
999	Forest Board Counties	68.7	69.5	53.6	46.2	42.8	49.1	50.6	49.9	51.9	52.3
	Change						1.7	4.3	1.0	(0.1)	(0.1)
	% Change						4%	9%	2%	0%	0%
001	General Fund	4.7	4.4	5.5	4.3	4.6	2.7	5.1	3.8	3.4	3.4
	Change						(0.5)	0.9	0.2	(0.0)	(0.0)
	% Change						-16%	22%	7%	0%	0%
348	University Bond Retirement	0.6	1.6	2.6	2.9	1.9	2.2	2.9	2.1	1.9	1.9
	Change						(1.3)	0.7	0.2	(0.0)	(0.0)
	% Change						-37%	29%	10%	0%	0%
347	WSU Bond Retirement	1.9	2.6	1.6	2.0	1.8	1.6	1.6	1.7	1.7	1.7
	Change						(0.0)	0.0	0.0	0.0	0.0
	% Change						-3%	0%	1%	1%	1%
042	CEP&RI	3.6	2.2	3.7	5.8	5.9	4.7	3.7	4.2	4.4	4.4
	Change						0.5	(0.9)	(0.3)	0.0	0.0
	% Change						12%	-19%	-7%	0%	0%
036	Capitol Building Construction	4.4	7.7	6.0	11.8	12.1	8.5	5.1	6.7	7.4	7.5
	Change						1.1	(2.2)	(0.7)	(0.0)	(0.0)
	% Change						14%	-30%	-9%	0%	0%
061/3/5/6	Normal (CWU, EWU, WWU, TESC) School	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
	Change						0.0	0.0	0.0	0.0	0.0
	% Change						2%	5%	6%	6%	6%
Other Funds		1.1	0.6	0.1	0.1	0.2	0.2	0.7	0.3	0.1	0.1
	Change						(0.0)	0.4	0.1	(0.0)	(0.0)
	% Change						-11%	162%	86%	0%	0%
<b>Total Current Funds</b>		<b>144.7</b>	<b>141.9</b>	<b>130.8</b>	<b>140.5</b>	<b>132.9</b>	<b>127.5</b>	<b>127.9</b>	<b>131.2</b>	<b>136.7</b>	<b>137.7</b>
	Change						0.4	(1.2)	(0.6)	0.1	0.1
	% Change						0%	-1%	0%	0%	0%

(Continued)

Table 3: June 2025 Forecast by Fund (millions of dollars), cont'd

<b>Aquatic Lands Enhancement Account</b>	<b>FY 20</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>FY 24</b>	<b>FY 25</b>	<b>FY 26</b>	<b>FY 27</b>	<b>FY 28</b>	<b>FY 29</b>
02R	13.5	12.4	19.0	18.5	20.9	18.9	17.8	18.4	19.0	19.0
Change						0.0	(1.2)	(0.5)	0.2	0.2
% Change						0%	-6%	-3%	1%	1%
<b>Permanent Funds</b>										
601 Agricultural College Permanent	5.4	5.7	3.9	6.8	4.7	3.0	5.4	4.1	3.8	3.8
Change						(1.0)	(0.2)	(0.1)	(0.0)	(0.0)
% Change						-25%	-3%	-3%	0%	0%
604 Normal School Permanent	2.6	2.8	4.0	2.6	7.3	1.1	3.2	2.8	2.6	2.6
Change						0.0	1.2	0.4	(0.0)	(0.0)
% Change						5%	64%	18%	0%	0%
605 Common School Permanent	0.2	0.4	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3
Change						-	-	-	-	-
% Change						0%	0%	0%	0%	0%
606 Scientific Permanent	3.1	4.9	9.3	5.2	3.9	6.5	4.4	4.3	4.6	4.6
Change						1.2	(0.5)	(0.2)	(0.0)	(0.0)
% Change						24%	-11%	-5%	0%	0%
607 University Permanent	0.1	0.3	0.5	2.1	1.0	0.2	1.1	0.7	0.5	0.5
Change						(0.4)	0.1	0.0	(0.0)	(0.0)
% Change						-63%	9%	3%	0%	0%
<b>Total Permanent Funds</b>	<b>11.4</b>	<b>14.2</b>	<b>17.8</b>	<b>16.9</b>	<b>17.1</b>	<b>11.2</b>	<b>14.3</b>	<b>12.2</b>	<b>11.8</b>	<b>11.9</b>
Change						(0.1)	0.6	0.1	(0.0)	(0.0)
% Change						-1%	5%	1%	0%	0%
<b>Total All Funds</b>	<b>249.9</b>	<b>250.8</b>	<b>258.6</b>	<b>278.0</b>	<b>261.8</b>	<b>236.8</b>	<b>240.8</b>	<b>245.7</b>	<b>254.4</b>	<b>255.8</b>
Change						(0.6)	(2.1)	(0.7)	0.9	0.9
% Change						0%	-1%	0%	0%	0%

Figure 1: Timber Forecast Charts



Figure 2: Other Uplands Forecast Charts

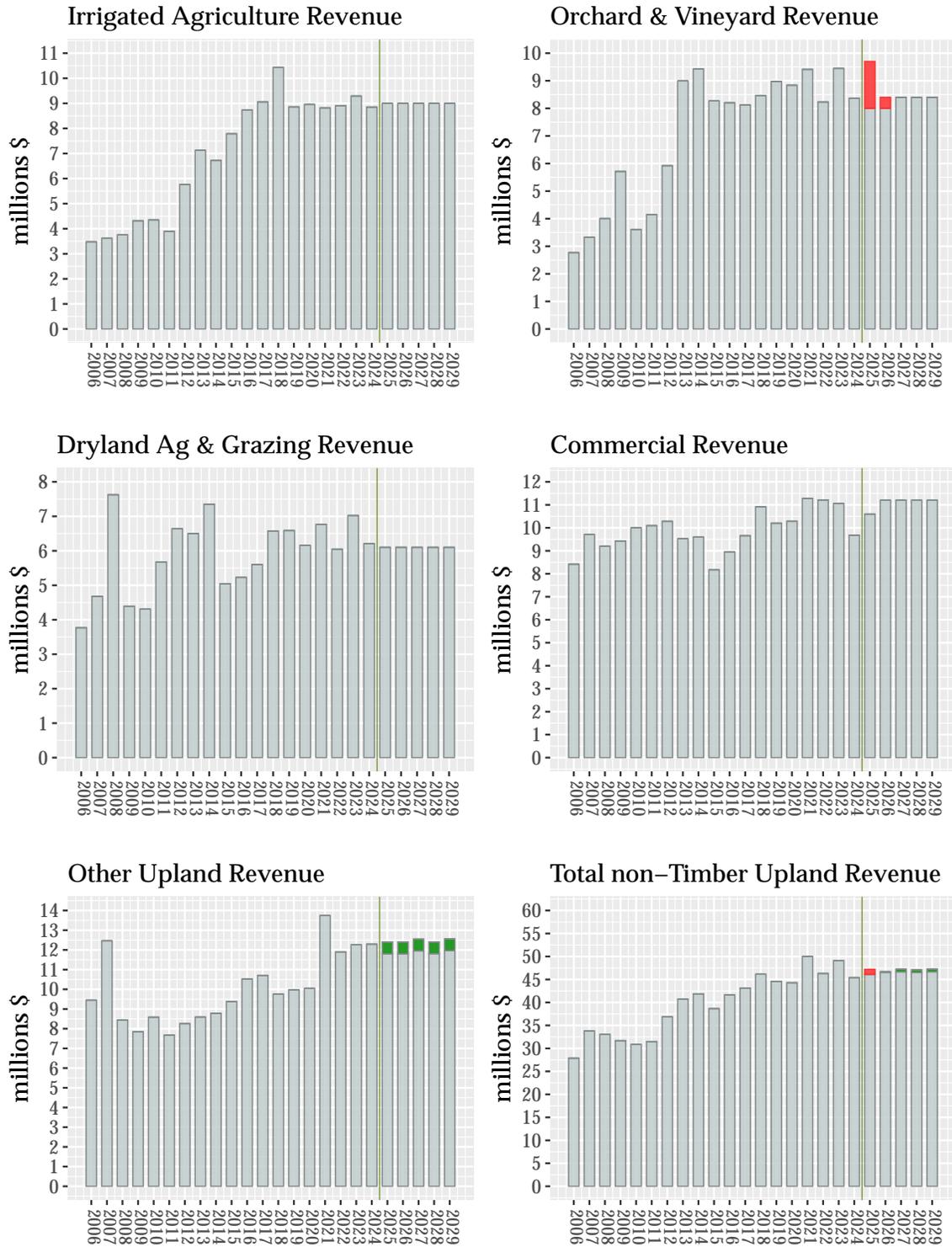
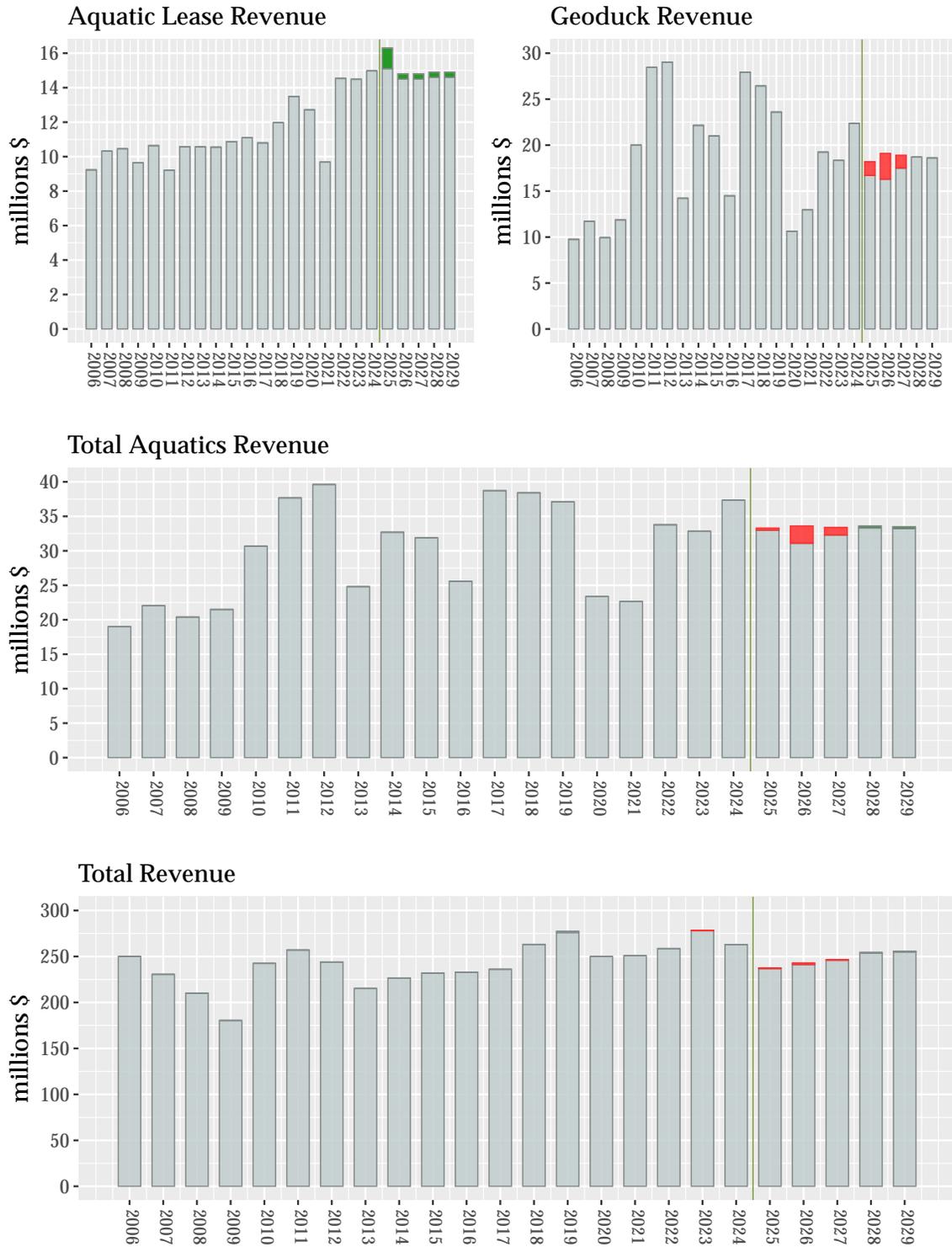


Figure 3: Aquatics and Total Forecast Charts



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## Acronyms and Abbreviations

bbf	Billion board feet
BLS	U.S. Bureau of Labor Statistics
CAD	Canadian dollar
CNY	Chinese yuan (renminbi)
CPI	Consumer Price Index
CY	Calendar Year
DNR	Washington State Department of Natural Resources
ECB	European Central Bank
ERFC	Washington State Economic and Revenue Forecast Council
FDA	Forest Development Account
FEA	Forest Economic Advisors
Fed	U.S. Federal Reserve Board
FOMC	Federal Open Market Committee
FY	Fiscal Year
GDP	Gross domestic product
HMI	National Association of Home Builders/Wells Fargo Housing Market Index
IMF	International Monetary Fund
ITC	U.S. International Trade Commission
mbf	Thousand board feet
mmbf	Million board feet
PSP	Paralytic shellfish poisoning
PPI	Producer Price Index
Q1	First quarter of year (similarly, Q2, Q3, and Q4)
QE	Quantitative easing
RCW	Revised Code of Washington
RMCA	Resource Management Cost Account
SA	Seasonally adjusted
SAAR	Seasonally adjusted annual rate
SLA	Softwood Lumber Agreement
TAC	Total allowable catch
USD	U.S. dollar
WDFW	Washington Department of Fish and Wildlife
WWPA	Western Wood Products Association
WTO	World Trade Organization

## Preface

This *Economic and Revenue Forecast* projects revenues from Washington state lands managed by the Washington State Department of Natural Resources (DNR). These revenues are distributed to management funds and beneficiary accounts as directed by statute.

DNR revises its Forecast quarterly to provide updated information for trust beneficiaries and state and department budgeting purposes. Each DNR Forecast builds on the previous one, emphasizing ongoing changes. Forecasts discuss world and national macroeconomic conditions, and the demand and supply for forest products and other goods. Finally, each Forecast assesses the impact of these economic conditions on projected revenues from DNR-managed lands.

DNR Forecasts provide information used in the *Washington Economic and Revenue Forecast* issued by the Washington State Economic and Revenue Forecast Council. The release dates for DNR Forecasts are influenced by the state's forecast schedule as prescribed by RCW 82.33.020. The table

below shows the anticipated schedule for future *Economic and Revenue Forecasts*.

This Forecast covers fiscal years 2025 through 2029. Fiscal years for Washington State government begin July 1 and end June 30. For example, the current fiscal year, Fiscal Year 2025, runs from July 1, 2024, through June 30, 2025.

The baseline date (the point that designates the transition from “actuals” to predictions) for DNR revenues in this Forecast is May 1, 2025. The forecast numbers beyond that date are predicted from the most up-to-date DNR sales and revenue data available, including DNR's timber sales results through May 2025. Macroeconomic and market outlook data and trends are the most up-to-date available as the Forecast document is being written.

Unless otherwise indicated, values are expressed in nominal terms without adjustment for inflation or seasonality. Therefore, interpreting trends in the Forecast requires attention to inflationary changes in the value of money over time, separate from changes attributable to other economic influences.

## Economic Forecast Calendar

Forecast	Baseline Date	Final Data and Publication Date (approximate)
September 2025	August 1, 2025	September 25, 2025
November 2025	October 1, 2025	November 25, 2025
February 2026	January 1, 2026	February 25, 2026
June 2026	May 1, 2026	June 25, 2026

## **Acknowledgements**

The Washington State Department of Natural Resources' (DNR) *Economic and Revenue Forecast* is a collaborative effort. It is the product of information provided by private individuals and organizations, as well as DNR staff. Their contributions greatly enhance the quality of the Forecast.

Thanks go to DNR staff who contributed to the Forecast: Michael Sly, Steven Teitzel, Kari Fagerness, Scott Nelson, Michael Kearney, Sherry Land, Linda Farr, Michelle McLain, Michal Rechner, and Tom Gorman. They provided data and counsel, including information on markets and revenue flows in their areas of responsibility.

In the final analysis, the views expressed are our own and may not necessarily represent the views of the contributors, reviewers, or DNR.

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## Macroeconomic Conditions

This section briefly reviews macroeconomic conditions in the United States and world economies because they influence DNR revenue — most notably through the bid prices for DNR timber and geoduck auctions and lease revenues from managed lands.

### Changes to Federal Policy

In the previous forecast we noted that several major policy changes implemented at the federal level that could have significant implications across the economy more broadly and for specific markets that DNR operates in. There have been a number of developments in the intervening months, which are collected and reviewed in this section. These policy changes are the same that we discussed in the previous forecast, but new information suggests that several of them are unlikely to substantially affect DNR revenue. For completeness, we've kept them in this forecast, but will likely exclude them in the future. Additionally, most of these new policies have not yet driven a change in the forecast, in part because there have been many changes to them recently, however, they represent potentially risks to the forecast in the future.

The four policies include:

- increased tariffs
- increased harvest from Federal forest lands
- significant layoffs from the U.S. Forest Service
- "mass" deportations

### Tariffs

The first policy change is a significant increase in the tariff levels with the U.S.'s major trading partners. Most notable is the unprecedented tariff rate hike on Chinese imports to nearly 130 percent

in April 2025, with China retaliating with tariffs rates at nearly 150 percent. Since that peak, US and China have agreed to lower tariffs to 51 percent and 32 percent respectively, but these rates are still very high. Other notable tariffs include those placed on goods from Canada and Mexico, the U.S.'s largest trading partners. It appears that these have been paused until July 8, but it's unclear whether they'll actually be reimplemented then.

This could affect the forecast in a number of ways:

- lowering GDP by increasing costs
- decreasing demand for US exports (e.g. geoduck)
- increasing demand for local wood products
- increasing inflation

Tariffs are a tax on imports, increasing their price. The increased prices drive purchasers to look for cheaper alternatives and the common rationale for tariffs is that purchasers will buy the same goods from domestic producers.

Tariffs are frequently likened to a tax increase, and indeed, modelling from a number of groups suggest that the implemented and proposed tariffs, reciprocal tariffs from foreign governments, and the increased uncertainty around the business operating environment will cost U.S. households, reduce GDP, and increase the risk of a recession<sup>4</sup>. This is both because the increased cost means that, outside of any other changes, consumers will purchase less overall, and because it will be more costly for domestic producers who must pay more inputs.

The U.S. imports a significant amount of the wood fiber it uses from Canada - between 20 and 30 percent of softwood lumber. Because of this, one might expect an increase in U.S. wood products' output, since imports will be more expensive, and that wood products' output would un-

<sup>4</sup><https://budgetlab.yale.edu/research/state-us-tariffs-june-17-2025>, <https://budgetmodel.wharton.upenn.edu/issues/2025/4/10/economic-effects-of-president-trumps-tariffs>, <https://www.goldmansachs.com/pdfs/insights/goldman-sachs-research/tariff-induced-recession-risk/tariff-induced-recession-risk.pdf>

ambiguously increase. However, Modelling from CINTRAFOR suggests that there would only be very small changes to the wood products sector's output. For instance, they show about a 0.2 percent increase in log output and a 0.04 percent decrease in softwood lumber output. Ultimately, it looks like the effects will be:

- lower demand overall, due to the higher prices
- higher demand for domestic wood products, to replace the imports
- a decrease in exports

Finally, broad based tariffs are inflationary because they increase the price of everything. Brookings Institute modeling suggests that just the Canadian and Mexican tariffs and their reciprocation will push up U.S. inflation by 0.77 percentage points.

### **Increased Federal Harvests and Decreased USFS Workforce**

On March 1st, the administration enacted two executive orders (EO), one to increase the amount of timber harvested from federal lands and one to decrease the amount of wood product imports. The EO regarding imports will likely have a similar effect as the tariffs — i.e. increasing the price of wood products. However, the other EO suggests that the administration is trying to limit the price effect by increasing the amount of timber harvested from federal lands.

Since the previous forecast, the federal government has clarified that they are seeking a 25 percent increase in sales volume from federal lands. Currently, federal lands provide very little volume in Washington, so it appears as though this policy will have a negligible effect on timber supply or prices.

Another issue that may undermine this EO is the recent reduction in the USFS workforce, and the plan for further reductions. In mid-February, around 3,400 USFS employees were fired, a significant reduction as the USFS had around 35,000

staff prior. There are reports of plans to fire an additional 7,000. Together these could amount to a total reduction of around 30 percent of the USFS workforce. It is unclear how the USFS would be able to increase the sales from forest service land with so many fewer employees.

### **Increased Deportations**

The final policy change has been a promise of "mass" deportations of undocumented immigrants. Outside of tariffs and supply issues, lumber prices are typically driven by demand - primarily home building and renovations, which consume around 70 percent of the wood products in the U.S. By one estimate, around 14 percent of the construction workforce is undocumented immigrants. Consequently, large scale deportations could seriously limit labor supply for the industry — which would also limit home building, push up house prices, and limit lumber demand. This would tend to push down lumber prices.

Additionally, a large portion of the agricultural labor force are undocumented immigrants as well. A reduction in agricultural labor force will tend to push up the industries costs and the cost of their outputs.

While there still appears to be a policy of increasing deportations, there has been recent reporting that the administration has paused raids on agriculture, hotels and restaurants<sup>5</sup>. If this is the case, it could minimize the effect of the policy on DNR's agricultural income.

### **Federal Policy Changes Summary**

While all of these policy changes may affect DNR revenue, several of them push in different directions, and it is not clear which of them will dominate. So, to summarize the risks to DNR revenue and the forecast:

- tariffs will tend to push up log prices
- increased logging from federal lands will tend to push down log prices, but given the size will likely have no effect

<sup>5</sup><https://www.nytimes.com/2025/06/13/us/politics/trump-ice-raids-farms-hotels.html>

- the reduction in USFS workforce may limit the capacity to increase logging on federal lands
- retaliatory tariffs will push down geoduck prices, and appear to have already done so
- increased deportations could increase house prices at the same time as limiting lumber, and therefore log, demand

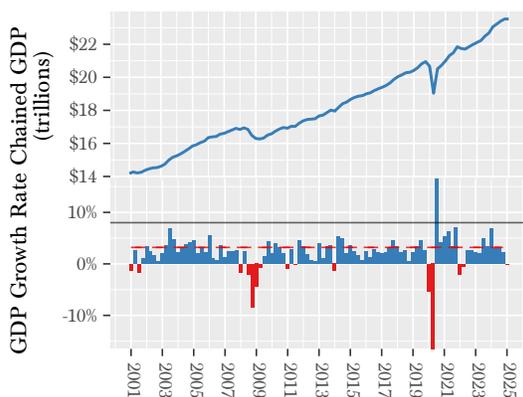
There are potentially many more complications to the above discussion. For instance, the potential for tariffs to increase inflation, encouraging the Fed to increase interest rates, depressing demand for housing, etc.

## U.S. Economy

### Gross Domestic Product

Typically, GDP is a useful indicator of how the U.S. economy is growing overall. When GDP is increasing, then generally there will be an increase in jobs, spending, and overall economic welfare. This often includes growth in housing spending and construction, which influences timber prices and DNR’s income from timber. It is a useful indicator of how other, more directly relevant indicators may move in the future.

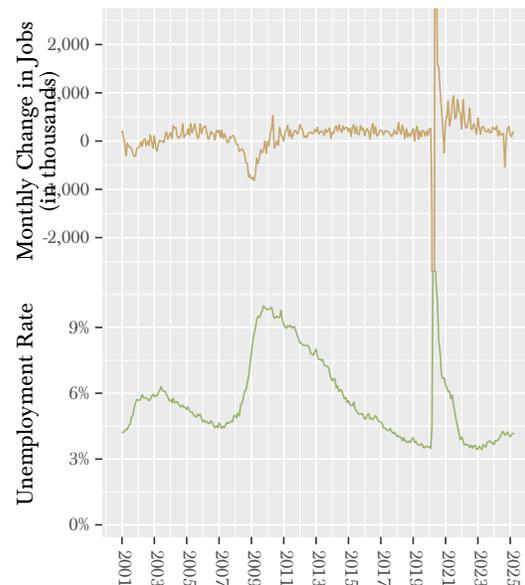
Figure 4: U.S. Gross Domestic Product



Note that the y-axis of the bottom chart is limited to 15 percent because the Q2 and Q3 2020 GDP growth are such outliers that they distort the chart.

GDP contracted slightly in the first quarter of calendar year 2025. The flurry of tariff related policies drove businesses to build up inventories of imported goods in anticipation of tariffs. This caused a decline in GDP in the first quarter of 2025. The impact of this on GDP is described by the University of Michigan’s RSQE as "the largest ever drag in the history of quarterly national accounts dating back to 1947". Despite the swings in net exports, there seems to be a consensus that GDP will grow in 2025, but slower than what was forecasted in 2024. The Federal Reserve projects a real GDP growth rate of 1.7 percent this year, which is down from the 2.1 percent that was projected in December of 2024. Significant uncertainty looms over the US economy going forward as the volatility in the US government’s policies and operations continues on.

Figure 5: Unemployment Rate and Monthly Change in Jobs

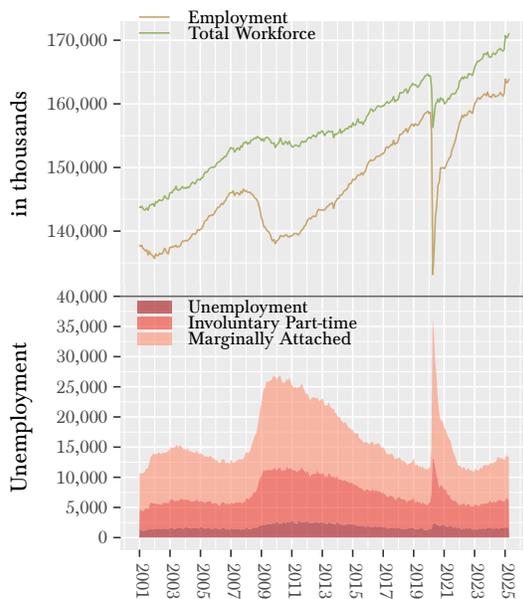


Note that the y-axes for these charts are limited because of the extreme changes in Q2 2020.

### Employment and Wages

The labor market is the primary driving force behind consumption, which typically constitutes about 70 percent of GDP and naturally extends to the demand for housing, the major driver of U.S. timber demand. The U.S. headline unemployment rate measures the number of people looking for work as a percentage of the number of people in the labor force.

Figure 6: Employment and Unemployment

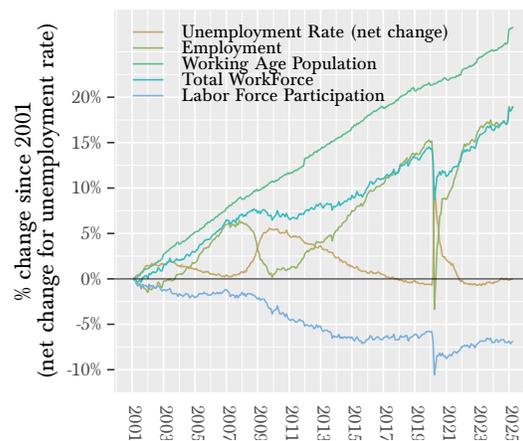


After exploding to 14.7 percent near the beginning of the COVID-19 pandemic in mid-2020, the unemployment rate has fallen considerably. Between February 2023 and February 2024, the unemployment rate fluctuated between 3.4 and 3.8 percent - which is historically very low (Figure 6). During this time, the labor force participation rate also recovered, by February 2023 the rate was 62.5, and it has remained between that and 62.8 since. This is still well below the 63.3 percent peak in January 2020. Overall, it appears that the labor market has largely recovered from the shock of the COVID-19 pandemic.

The unemployment rate bottomed out at around 3.4 percent in April 2023. From then until July 2024, it crept up to 4.2 percent. Since then, it has remained between 4.0 and 4.2 percent.

One area of potential concern is that the labor force participation rate appears to be stalled between 62.5 and 62.8. This is still meaningfully below the pre-pandemic rate of 63.3<sup>6</sup>. It seems that people aren't re-entering the labor force as quickly as they left.

Figure 7: Labor Market Indicators



That being said, wages in the U.S. have been growing faster than inflation for some time. In January 2024, the Atlanta Fed's Wage Growth Tracker<sup>7</sup>, showed 5.0 percent (annualized) growth in wages, while CPI was 3.3 percent (12-month change). More recently, in May 2025, wage growth was 4.3 percent while CPI was 3.2 percent. The increase of wages over inflation will increase purchasing power and may pull some people back into the labor force. Assuming that there is no recession, then the unemployment rate is likely to either remain stable or increase slowly from its current level.

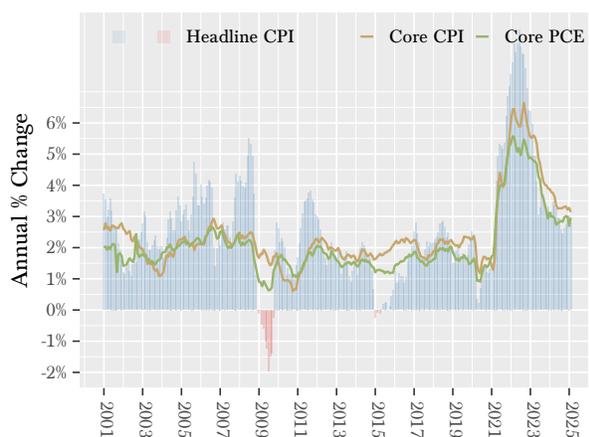
<sup>6</sup>While the difference here is only 0.6 percentage points, these represent more than 2 million potential workers

<sup>7</sup><https://www.atlantafed.org/chcs/wage-growth-tracker>

## Inflation and Interest Rates

Aside from a short period in 2012, core inflation was below the FOMC's two percent target between the recession in 2008 and early 2021. During that period, inflation forecasts were consistently too high, with each year predicted to break the cycle of weak inflation, only to disappoint as the year progressed (Figure 8).

Figure 8: U.S. Inflation Indices



For policy purposes, the FOMC uses the core Personal Consumption Expenditures (PCE) index as the measure of inflation, which removes the more volatile fuel and food prices. In a fairly striking policy change, the FOMC announced in September 2020 that it would "aim to achieve inflation moderately above 2 percent for some time so that inflation averages 2 percent over time and longer-term inflation expectations remain well anchored at 2 percent." This was a marked departure from policy in the previous decade, when there were a number of (sometimes-contentious) interest rate increases even though inflation was well below 2 percent.

Since April 2021, core PCE inflation has been higher than the FOMC's target, and remained high on the back of supply chain issues and strong demand, as well as shocks to the market like Rus-

sia's invasion of Ukraine and high household savings buoyed by the stimulus packages in response to the COVID-19 pandemic.

Interest rates are a powerful tool used by the Federal Reserve Bank to influence the U.S. economy<sup>8</sup>. An increase in interest rates will generally slow down economic growth — business investment slows down because borrowing money becomes more expensive, so job and wage growth slow down leading to slower consumption and inflation. Similarly, it becomes more expensive for consumers to borrow, impeding demand, particularly in the housing and auto markets. The opposite of all of this is also true — decreasing or lowering interest rates can help drive economic expansion through expanded investment and consumption.

In March 2022 the FOMC start rapidly raising interest rates to bring inflation down, going from essentially 0 percent interest to 5.3 percent in August 2023. This had the effect of pulling down inflation — core PCE fell from 5.5 percent to 2.5 percent (YOY) by April 2025. The expectation was that inflation would continue to fall and be closer to 2.0 percent now. However, it has taken much longer than expected as the U.S. economy has been remarkably resilient and continues to grow fairly well.

With inflation slowing and unemployment stable, the FOMC reduced interest rates from a range of 5.25-5.5 percent to a range of 4.25-4.5 percent in the fourth quarter of 2024 and is continuing to hold rates at those levels as of May 2025.

## The U.S. Dollar and Foreign Trade

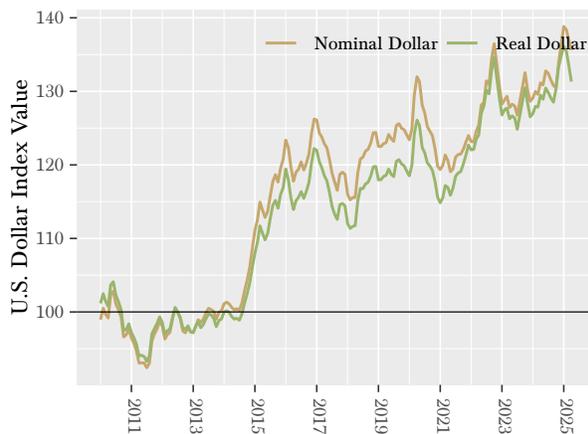
Aside from the issues relating to foreign trade discussed in the section on federal policy, the value of the U.S. dollar can influence DNR revenue.

Between February and April 2020, the U.S. dollar trade-weighted index jumped almost 6 percent, largely due to a "flight to safety" from the uncertainty caused by the pandemic (Figure 9). From April 2020 to mid-2021, the index fell, but then

<sup>8</sup>We refer to interest rates broadly, but the Fed specifically governs the Federal funds rate, which heavily influences interest rates across the economy.

quickly climbed through October 2022 to its highest point since at least 2006 (the earliest date for the data set we use). Between October 2022 and November 2024, the US dollar fell back, but surged upward in the last quarter of 2024 ending over 7 percent higher (YoY). It has since dipped back to average 2024 levels, but the dollar index is still quite high.

Figure 9: Trade-Weighted U.S. Dollar Index



A higher dollar means that timber and lumber from the Pacific Northwest become more expensive for international buyers and, conversely, timber and lumber imported into the U.S. becomes less expensive. This will tend to undermine local prices and DNR’s timber and agricultural revenues. Wildstock geoduck revenue will also be negatively affected because geoduck is primarily marketed abroad.

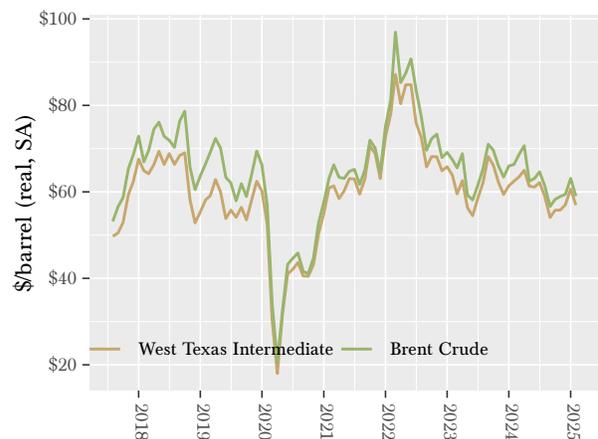
Foreign trade and access to export markets is normally and important issue for DNR revenues. Chinese demand for timber and lumber was a major support for lumber prices after 2010, even though DNR timber cannot be exported directly. In non-timber revenue sources, much of the soft white wheat produced in Washington is exported to Asia and the vast majority of the Pacific Northwest geoduck harvest is exported to China.

**Petroleum**

Crude oil and its derivatives strongly affect production, transportation, and consumption in the world and U.S. domestic economies. Broadly, an increase in oil prices acts like a tax increase for consumers and can discourage consumption. Additionally, all other things being equal, higher petroleum prices will increase diesel fuel prices and will make transportation-sensitive industries — such as Pacific Northwest logging and agriculture — less competitive in international markets.

The Russian invasion of Ukraine in early 2022 initially pushed oil prices much higher, with the nominal Brent Crude spot prices jumping from \$86/barrel in January to \$122/barrel in June — the highest they had been since 2014 (Figure 10). These prices were high enough to create a drag on economic growth. However, they were fairly short-lived. After peaking in June 2022, and barring a brief jump in September 2023, prices dropped to \$80/barrel in December 2022 and stayed between \$75 and \$85/barrel until September 2024. From September to December 2024 prices floated around \$70/barrel, but jumped in January to \$75/barrel again.

Figure 10: Crude Oil Prices



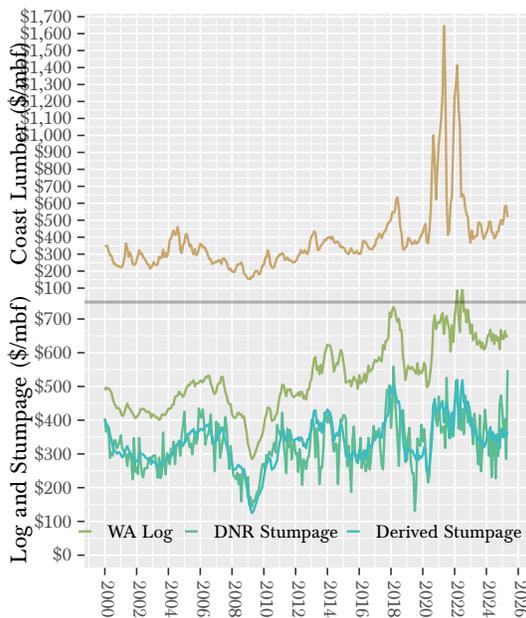
In the last couple of weeks oil prices had a large jump, but then decreased back after missile and

bomb attacks between Israel, Iran and the U.S. It appears that markets are unconcerned with possibility of war breaking out in the region. Consequently, oil prices are expected to remain in their current range for the foreseeable future.

## Wood Markets

Timber stumpage revenue constitutes about 70 percent of total DNR revenues on average. Therefore, DNR is vitally concerned with understanding stumpage prices, log prices, lumber prices, and the related supply-and-demand dynamics underlying all three. This section focuses on specific market factors that affect timber stumpage prices and overall timber sales revenue generated by DNR.

Figure 11: Lumber, Log, and Stumpage Prices in Washington

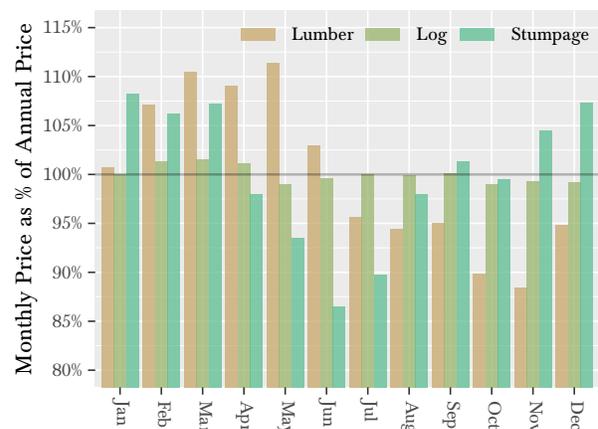


In general, timber stumpage prices reflect demand for lumber and other wood products, timber supply, and regional lumber mill capacity. There is a consistent, positive relationship between log prices and DNR's stumpage prices, despite notable volatility in stumpage prices (Figure 11). High log prices make access to logs more valuable, increasing purchasers' willingness to pay for stumpage (the right to harvest). Volatility in stumpage prices arise not only from log prices, but also from the volume of lumber and logs held in mills' inventories (either felled and in their

yards or standing inventory under contract) and from DNR-specific issues, such as the quality and type of the stumpage mix offered at auction, the region, and the road-building requirements of a particular sale.

The relationship between lumber and log prices is less consistent. Lumber prices are significantly more volatile, and both the direction and size of price movements can differ from log prices. This is due to both demand and supply-side factors. On the demand side, mills will often have an inventory of logs in their yards, as well as an inventory of "standing logs," so they do not always need to bid up log or stumpage prices to take advantage of high lumber prices. From the supply side, landowners often do not need to sell their timber, so when prices fall too far, they can withhold supply and allow their trees to grow and increase in quality.

Figure 12: Lumber, Log, and DNR Stumpage Price Seasonality



There are differences in price seasonality between lumber, logs, and stumpage, as illustrated in Figure 12. These prices are affected by a degree of seasonality that is largely the result of when each of these commodities will be used. For instance, lumber prices tend to be higher starting in February, when housing construction starts to pick up, and decline through fall as demand wanes, while stumpage prices tend to be highest

in December-March, when harvesters are lining up harvestable stock for the summer. DNR stumpage price volatility is also affected by the firefighting season and the quality of the stumpage mix, which varies throughout the year but tends to be lower from July through September.

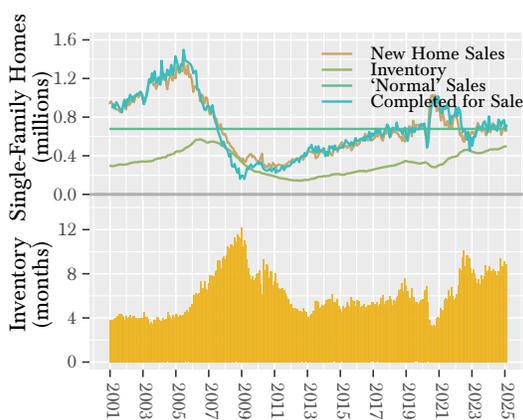
## U.S. Housing Market

This section continues with a discussion of the U.S. housing market because it is particularly important to domestic timber demand.

New residential construction (housing starts) and residential improvements are major components of the total demand for timber in the U.S. From 2000-2018, these sectors have averaged 69 percent of softwood consumption — 37 percent going to housing starts and 32 percent to improvements — with the remainder going to industrial production and other applications.

The 2007 crash in the housing market and the following recession reduced demand for new housing, which undermined the total demand for lumber. From the 2009-11 trough to the beginning of the COVID-19 pandemic in early 2020, an increase in housing starts drove an increase in lumber demand.

Figure 13: New Single-Family Home Sales



As with almost every other part of the economy, Demand for housing appears to be relatively sta-

<sup>9</sup>Unless otherwise noted, all measures of housing construction or sales are in Seasonally Adjusted Annual Rates - SAAR

the coronavirus pandemic created tremendous uncertainty in the housing market. After the initial collapse in activity in early 2020, both starts and new home sales increased substantially — largely driven by strong household balance sheets and record-low mortgage rates. However, since the Fed began increasing interest rates in 2022, mortgage rates more than doubled from under 3.0 percent to around 7.0 percent. The increased costs of financing have affected both sales and construction of homes.

## New Home Sales

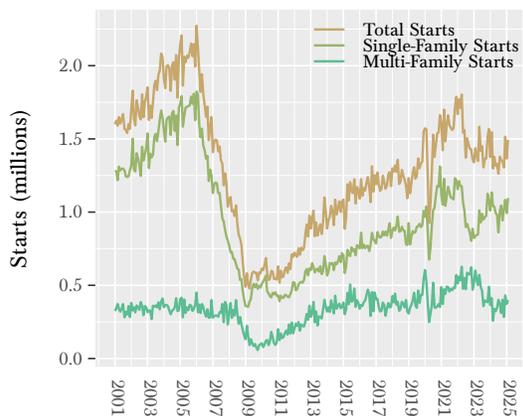
Unsurprisingly, new home sales plummeted during the 2008-09 recession, reaching a record low of 306,000 (SAAR)<sup>9</sup> in 2011 before beginning a slow rise to average 680,000 in 2019 (Figure 13).

From January through April 2020, new single-family home sales fell from 708,000 to 570,000 as the initial effects of the pandemic took hold. However, April was the bottom. From then, new home sales quickly grew well beyond their January 2020 highs to a peak of 1,036,000 in August 2020, averaging 960,000 in the latter half of the year. New home sales slowed a little in 2021, averaging 769,000 per month. With the increased mortgage rates since March 2022, new single-family sales fell to a low of 567,000 in September 2022, basically at the level of April 2020. Sales have rebounded since and seem to be bound around the long term average of 678,000 new home sales.

Since around mid-2024, new home completions have been greater than new home sales, slowly increasing inventories. Typically, an increase in inventory could help suppress home prices. However, with the increase in interest rates, there are fewer people who currently own homes who are looking to sell - people typically do not want to trade out a sub-3.0 percent loan for a 6.0+ percent loan. So there is currently a dearth of existing houses on the market, suggesting there will be very little price suppression from an increased inventory of new homes.

ble, with demand constrained by mortgage rates and high home prices. Households still have strong balance sheets and real wages are still increasing. But all the excess savings from the pandemic years have been spent, so people don't have as much money readily available for down payments.

Figure 14: Housing Starts



Overall, it is likely that new home sales will remain higher than the period between 2008 and 2015, where they were consistently lower than the long-term average, but it would not be surprising to see them stay near the long-term average for some time.

### Housing Starts

In April 2009, U.S. housing starts fell to the lowest point since the Census Bureau began tracking these data in 1959. U.S. housing starts picked up in 2011 and continued to rise, largely because of increases in multifamily starts. Single-family starts were more or less flat after the recession through 2012, but rose slowly from then through most of 2019 (Figure 14)<sup>10</sup>.

Total residential housing starts hit 1.6 million (SAAR) in February 2020 before collapsing in April to 0.9 million. This was from both single-

family starts, which fell from 1.0 million starts to 0.7 million, and multifamily, which fell from 0.5 million to 0.2 million.

Again, as with sales, April 2020 was the nadir and April 2022 was the post-2008 apex. Total starts climbed back quickly and averaged 1.6 million in 2021 and 2022, and 1.4 million in 2023, while single family starts averaged 1.1 million in 2021, 1.0 million in 2022, and 0.9 million in 2023.

Two things are particularly notable about housing starts since they began falling from April 2022. First, even after a significant drop, starts have remained higher than almost any point between 2007 and mid-2019. Second, the drop from 2022 to mid-2023 was in single-family starts. This likely had a more substantial effect on lumber demand because single-family housing uses more lumber per unit than multifamily. Interestingly, since April 2023, single-family starts have started increasing again, while multifamily have started declining.

As was noted in the Forecast Summary, the construction industry writ-large has an estimated high percentage of undocumented immigrant labor, around 14 percent. The President's promise of "mass deportations" could have a significant effect on the costs associated with home building. Though there remain important questions about what kind of deportation program is actually possible, so the ultimate size and effect of the policy are uncertain.

As of May 2025, total housing starts had dropped to their lowest point since the pandemic.

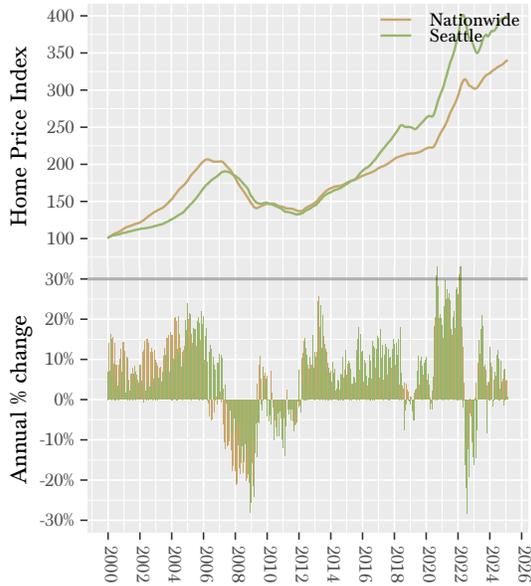
### Housing Prices

The U.S. housing market experienced six unprecedented years of falling or flat prices following the 2008 recession. House prices started rising again only in 2012 as economic and employment indicators continued to improve. Figure 15 charts the seasonally adjusted S&P/Case-Shiller Home Price Index for the 20-city composite, which estimates national existing home price trends, as well as the

<sup>10</sup>Single-family starts are discussed specifically because they use more lumber than multifamily construction. So the change in single-family starts has more of an impact on lumber demand and prices than a change in multifamily starts.

Index for Seattle.

Figure 15: Case-Shiller Existing Home Price Index



Although the pandemic initially stalled national price growth, the Case-Shiller ended 2020 with 10 percent December-December price growth. Locally, for Seattle, price growth was 13 percent. Between December 2020 and May 2022, prices increased even faster, but declined between May 2022 and February 2023 after the Fed began raising interest rates. Since February 2023, prices have been increasing, though not at the rate they were prior.

The high, and still increasing prices, should continue to incentivize housing construction, supporting starts and lumber demand - though, given the housing starts in May, it's not clear that this is currently happening.

**Price Outlook**

**Lumber Prices**

Lumber prices were exceptionally volatile from 2020 through 2023 (Figure 11). In 2021, prices peaked at around \$1,600/mbf in May then plum-

meted to \$414/mbf in August (West Coast standard or better 2x4, Douglas-fir/Hemlock). Prices rebounded over the next several months to peak at \$1,400/mbf in March 2022. However, after that they plummeted again, dropping from \$1,056/mbf in May to \$638/mbf in June. Prices continued to decrease until December 2022. Since the beginning of 2023, prices have remained relatively stable and lower than recent years, staying in between \$370/mbf and \$490/mbf, with an average of \$427/mbf.

As discussed in the summary, The outlook for both log and lumber prices is, on balance, that they will increase somewhat. However, as noted throughout the forecast, the current policy environment makes this uncertain.

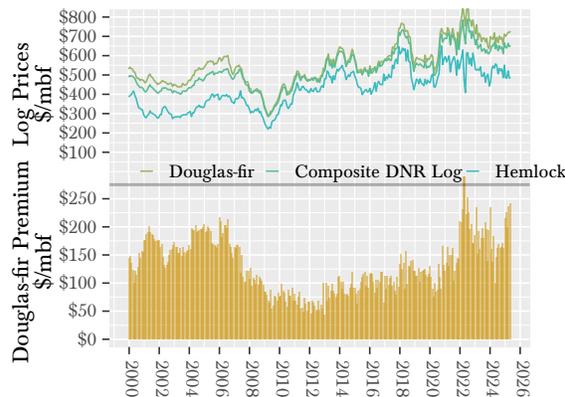
**Log Prices**

Figure 16 presents prices for Douglas-fir, hemlock, and DNR's composite log. The latter is calculated from prices for logs delivered to regional mills, weighted by the average geographic location, species, and grade composition of timber typically sold by DNR. In other words, it is the price a mill would pay for delivery of the typical log harvested from DNR-managed lands. The dark green line for the DNR composite log price on Figure 16 is the same as the light green line on Figure 11.

Log prices also bottomed in April 2020 and had recovered by August 2020, though they have obviously not reached the same extremes as lumber prices. Timber harvesters and mills often have an inventory of standing timber to draw from, so they don't always need to bid up prices on new logs.

Log prices declined in 2023, and have since remained in a relatively narrow range - from around \$610/mbf to \$660/mbf. Again, absent the federal policy risks discussed previously, log prices would be expected to remain relatively stable or increase through 2025.

Figure 16: DNR Composite Log Prices



### Stumpage Prices

Timber stumpage prices are the prices that successful bidders pay for the right to harvest timber from DNR-managed lands (Figure 17). At any time, the difference between the delivered log price and DNR's stumpage price can be thought of as equivalent to the sum of logging costs, hauling costs, and harvest profit (Figure 11). Subtracting the average of these costs from the log price line gives us a derived DNR stumpage price.

When actual DNR stumpage prices differ significantly from the derived stumpage prices, a correction is likely to occur. Overall, barring a couple of sales, recent stumpage prices have been roughly on par with what we would expect, given log prices.

Although log and lumber prices bottomed out in April 2020, DNR stumpage prices fell through May 2020. DNR timber auctions had average stumpages of \$396/mbf for FY 21, \$427/mbf for FY 22, and \$390/mbf for FY 23 and \$346/mbf for FY 24.

FY 25 prices have been much higher than we expected throughout the year. First from higher than expected prices in the November-January auctions of previously delayed sales with older timber. But also, because of much higher prices since February, when the expectation was of lower prices due to less high quality timber.

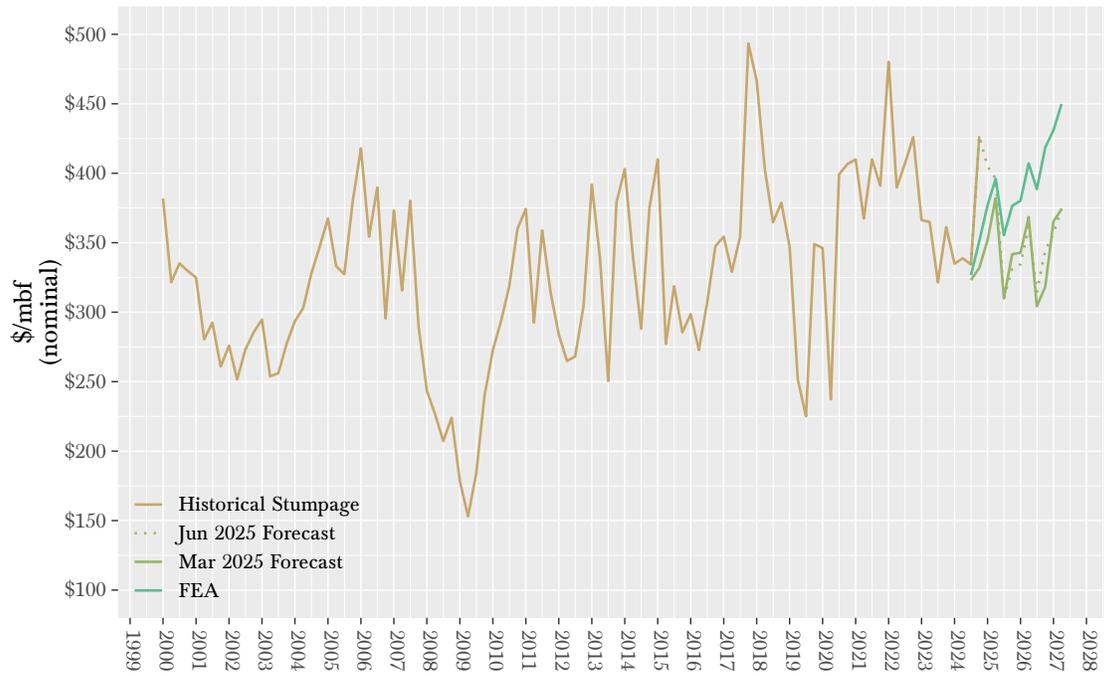
As always, these prices also depend heavily upon the characteristics of the sales, particularly the type and quality of the wood, the type of logging, and the costs associated with road-building and maintenance.

### DNR Stumpage Price Outlook

DNR contracts with a forest economics consulting firm that provides log and timber stumpage price forecasts, as well as valuable insights into the housing, lumber, and timber markets. To reach a stumpage price outlooks, we model DNR's historical data on the FEA price forecast and then adjust it based on DNR or Washington specific circumstances (Figure 17, note that the FEA "forecast" series reflects the species and class characteristics of typical DNR timber; the original series were West Coast averages and are not shown).

It is important to note that these are nominal price expectations.

Figure 17: DNR Timber Stumpage Price



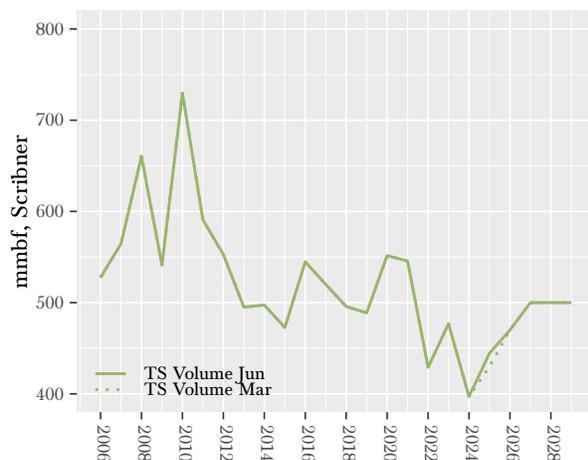
## DNR Revenue Forecast

This Revenue Forecast includes revenue generated from timber sales on trust uplands, leases on trust uplands, and leases on aquatic lands. It also forecasts revenues to individual funds, including DNR management funds, beneficiary current funds, and beneficiary permanent funds. Caveats about the uncertainty of forecasting DNR-managed revenues are summarized near the end of this section.

### Timber Revenue

DNR sells timber through auctioned contracts that vary in duration. For instance, contracts for DNR timber sales sold in FY 2019 needed to be harvested between three months and three years from the date of sale, with most being about two years in length. The purchaser determines the actual timing of harvest within the terms of the contract, which is likely based on perceptions of market conditions. As a result, timber revenues to beneficiaries and DNR management funds lag behind sales.

Figure 18: Forecast Timber Sales Volume



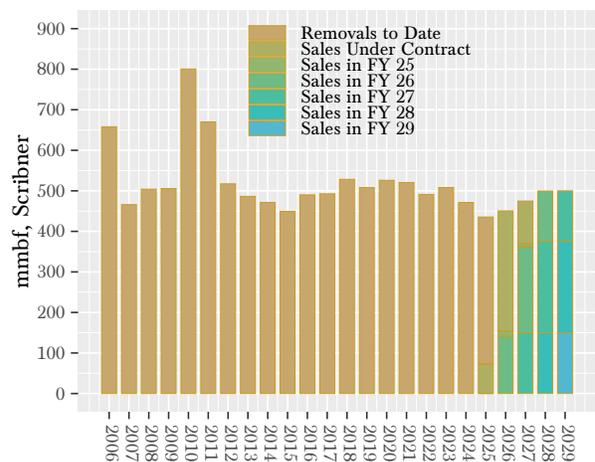
For the purposes of this chapter, timber that is sold but not yet harvested is referred to as "inventory" or "under contract." Timber volume is added to the inventory when it is sold and placed under contract, and it is removed from the inven-

tory when the timber is harvested.

### Timber Sales Volume

The sales volume for FY 22 was 430 mmbf, a significant decrease from the 530 mmbf planned at the beginning of the fiscal year. In the middle of the fiscal year, the proposal to limit DNR timber harvests to only stands less than 120 years old stalled many planned sales and required review of many sales that had already been prepared, delaying the preparation of other sales. Additionally, severe winter weather delayed some sales planning in December 2021 and January 2022, while staffing constraints in some regions also affected sales planning.

Figure 19: Forecast Timber Removal Volume



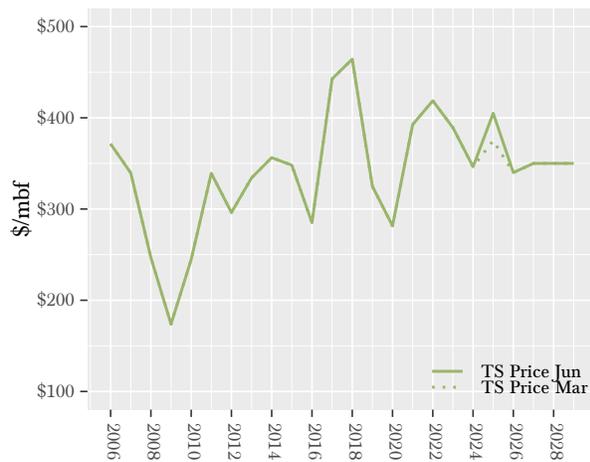
The sales volume forecast for FY 23 was also decreased near the end of the fiscal year, to 465 mmbf – a significant decrease from the previously planned 530 mmbf and the previously forecast 500 mmbf. This was apparently due to some internal policy decisions and an increase in community opposition to some sales.

The planned sales volume for FY 24 was also decreased substantially, though not until the June forecast — from 480 mmbf to 391 mmbf. This was again due to increased pressure from actual or threatened lawsuits, and opposition to some prepared sales. These issues have been partic-

ularly problematic for volume delivery because they have occurred on sales that have already been fully prepared - the work that went into them is a sunk cost and is gone, and the program often doesn't have enough time or resources to bring new, alternative sales to auction.

In February, the FY 25 timber sales volume forecast was reduced from 480 mmbf to 430 mmbf due to the implementation of a six-month pause on timber sales on select mature forests. This forecast, the FY 25 timber sales volume forecast is increased from 430 mmbf to 445 mmbf. There have been fewer no-bids and legal delays to planned sales than we had forecast in March.

Figure 20: Forecast Timber Sales Price



The volume forecast from FY 26 and onward is unchanged. However, there is still uncertainty about what will happen in FY 26 and beyond when the pause period is over. While we assume that none of the paused sales will be brought to auction in the forecast horizon as they are currently structured, it is possible that some of them will be restructured and brought to auction in FY 26. This represents a potential upside to the FY 26 volume forecast. However, there is also the possibility that the Product Sales and Leasing team will have difficulty finding enough sales without the paused forest types, creating a downside risk for the FY 26 volume.

We expect there will be more clarity on the rev-

enue impacts of this pause in the next quarter.

Historically, a buffer of around 10 percent of planned sales volume has been adequate to account for the typical risks to sales. However, for the last several years there has been increased opposition to DNR timber sales, both through challenges to sale approval and through lawsuits.

It is not clear yet how this type of risk will change in the future as the program adapts to the new environment. We are leaving the outlying years' sales volume unchanged at 500 mmbf. We are assuming that the program will adapt to the new political and policy environment and will be able to bring the sales volume back to the long-term average. It is not clear whether this will be the case, but absent better information we are reverting to the status quo and long-term average.

### Timber Removal Volume

We noted in both February and November that harvests had been somewhat slower than expected for FY 25, driving downward revisions in the forecast.

The removal volume forecast is unchanged for all years.

However, while the current forecast for FY 25 is possible, given the harvest to-date, the risk is heavier to the downside.

Figure 21: Forecast Timber Removal Price



**Timber Sales Prices**

The price results of monthly DNR timber sales can be quite volatile (Figure 11). As discussed in the stumpage price outlook, the DNR sales price forecast is informed by West Coast log and stumpage price estimates from a forest economics consulting firm.

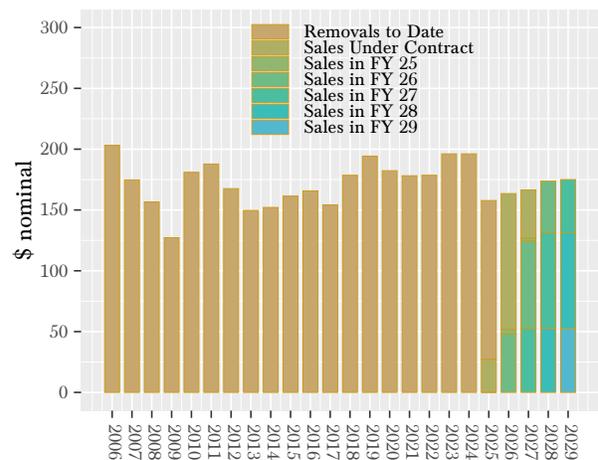
Figure 22: Forecast Timber Removal Price



The forecast timber sales price for FYs 25 is increased from \$375/mbf to \$405/mbf. This substantial increase is due to the very high prices from sales from February 2025 through May 2025. The sales in those four months had, overall, much

higher prices than we had expected — averaging over \$400/mbf. In the previous forecast, we noted that sales from November 2024 through January 2025 had very high prices because they had a substantial amount of high value timber. The expectation was that because the sales from March onward weren't as heavy to high value timber, the average sales prices would be much lower. This was not the case.

Figure 23: Forecast Timber Removal Value



The FY 26 sales price forecast is unchanged at \$340/mbf. This is lower than the outlying years because the reduced sales volume forecast is from sales that are typically higher value. Fewer high value sales will tend to reduce the average sales price. This will, of course, be reevaluated in the next forecast, but given the recent timber sales prices, it seems likely that this FY 26 price forecast will be too low.

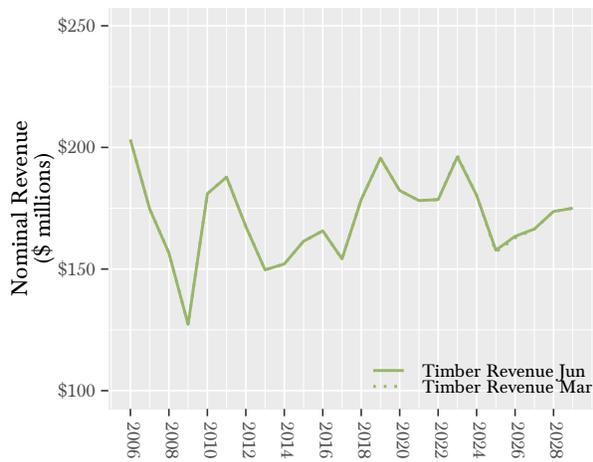
Outlying years' prices are unchanged at the long-term average of \$350/mbf. This is based on the assumption that current opposition to DNR sales will resolve in such a way that prices will return to their long term average. This may be optimistic.

**Timber Removal Prices**

Timber removal prices are determined by sales prices, volumes, and harvest timing. They can

be thought of as a moving average of previous timber sales prices, weighted by the volume of auctioned timber removed in each time period (Figure 22). Forecast timber removal prices are changed slightly in FYs 25 through 28, due to both an increase in the value of timber harvested in FY 25 and to the increase in sales price.

Figure 24: Forecast Timber Removal Revenue



### Timber Removal Revenue

Figure 23 shows projected annual timber removal revenues, broken down by the fiscal year in which the timber was sold. Revenue estimates reflect all the changes described above.

Forecast timber revenues for the 2023-25 biennium are \$338 million and forecast revenues for the 2025-27 biennium are \$330 million, essentially unchanged from the previous year.

### Upland Lease Revenues

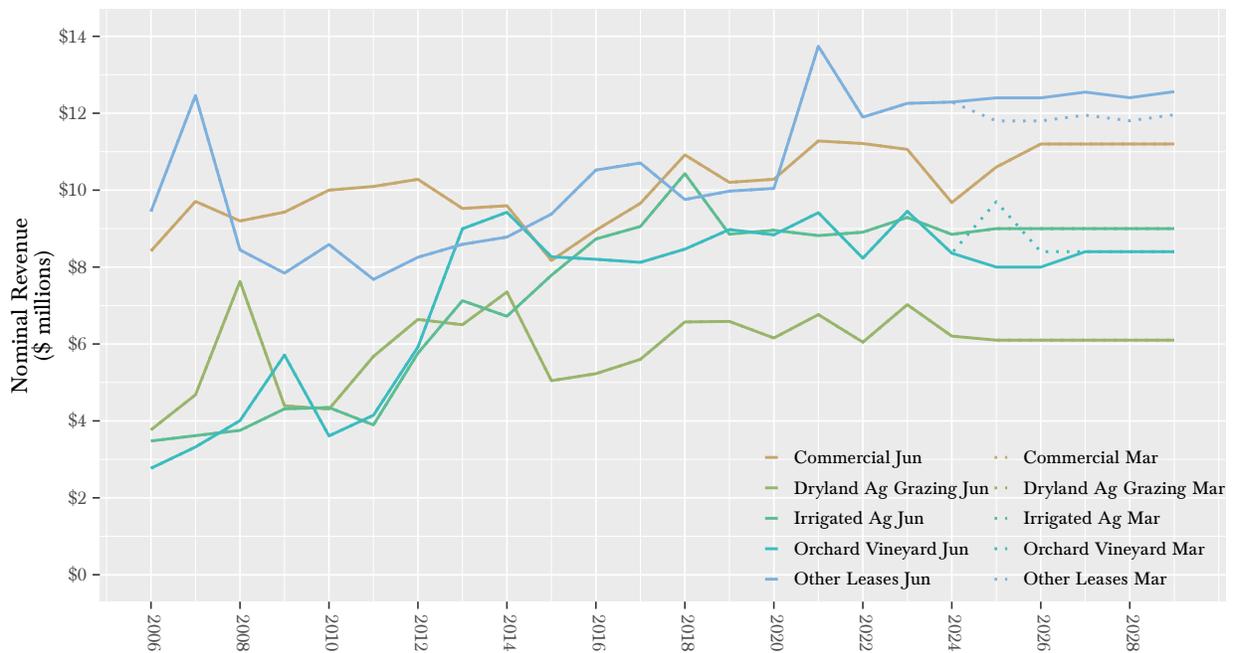
Upland lease revenues are generated primarily from leases and the sale of valuable materials other than timber on state trust lands (Figure 25).

The overall forecast for non-timber uplands revenue is decreased down from \$47.2 to \$46.1 million for FY25 with a recovery back up to \$47.3 by FY27.

This is primarily caused by some or-

chard/vineyard lessees failing to meet their payment obligations. As a result, revenue is projected to temporary decline in FY25 and partially in FY26 as DNR takes action to collect past due payment. Full recovery is expected shortly thereafter. The temporary decrease in orchard/vineyard revenue is partially offset by an increase in the forecast for the "other leases" category, mostly driven by the steady increases in revenue from renewable energy leases and other special uses going forward.

Figure 25: Forecast Upland Lease Revenue



### Aquatic Lands Revenues

Aquatic lands revenues are generated from leases on aquatic lands and from sales of geoduck. In the past, on average, leases have accounted for one-third of the revenue and geoduck sales accounted for the remainder. However, prices for geoduck plummeted in the beginning of FY 20, so that it accounted for less than half of the aquatic lands revenue that year. Geoduck prices have since recovered and geoduck revenue is currently forecast to account for between 55 and 60 percent of aquatic revenue, however this will likely change in upcoming forecasts.

Water dependent rent revenue forecast is increased from \$7.5 million to \$7.8 million for FY25 and onward. This reflects the consistent performance of water dependent leases over the last 3 years that is projected to continue. Non-water dependent rent forecast is increased by \$0.5 million in FY25 which is a one-time back payment on a lease. There was about at \$0.5 million higher than average amount of non-recurring revenue from easements and various special uses. This is incorporated as a one time increase in FY25 revenue as well.

The geoduck forecast revenue for FY 24 is notably higher than the surrounding years because bonus bid revenue that had been expected in FY 23 was shifted into FY 24.

We re-worked the geoduck pricing model in February 2024 to only include data from post-2010. China meaningfully entered the geoduck markets in 2010 and created a step-change in prices. The previous model included pre-2010 prices, and it caused the model to predict a continued upward trend in the future, which does not seem likely. Basing the model on post-2010 period gives the model a better fit and provides a more reasonable forecast.

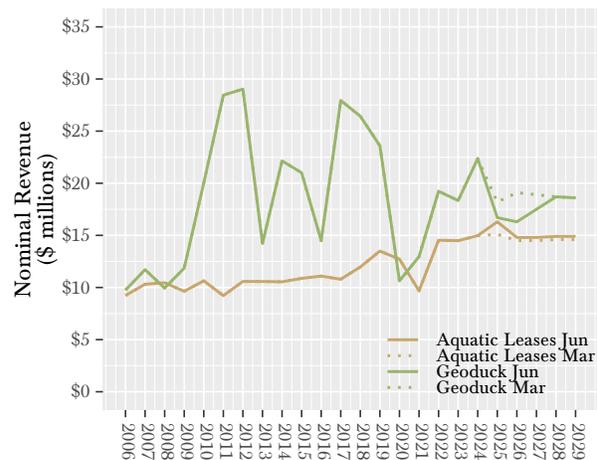
From the beginning of 2023 to the third quarter of 2024 geoduck auctions had an average price of \$11.60/lb, and, while there was still meaningful volatility, it stayed within a comparatively narrow range of \$10.25/lb to \$13.30/lb. That changed with the December auction, when prices dropped

to \$8.40/lb. It was unclear whether the cause of the price drop was arsenic issues on some tracts and/or the possibility of reciprocal tariffs with China. Prices for the March 2025 auction were \$8.60/lb, suggesting that there had indeed been a step change in the price level for geoduck.

The geoduck price model was updated based on the assumption that the added uncertainty from tariffs would continue until mid-2026, that is, the whole of FY 26, and would have some residual effects through the end of 2026. These assumptions translate into a larger decrease in the FY 26 forecast, compared to FY 27.

The June 2025 geoduck auction — held as this report was being written and *not* included in the price forecast — had an average price of \$6.70/lb. This is about 20 percent lower than our current average price forecast of around \$8.50/lb. While this lends further weight to the hypothesis that there is a new average price level, there was a confounding issue where one of the tracts in the June auction didn't clear it's arsenic test until after the auction.

Figure 26: Aquatic Lands Revenues



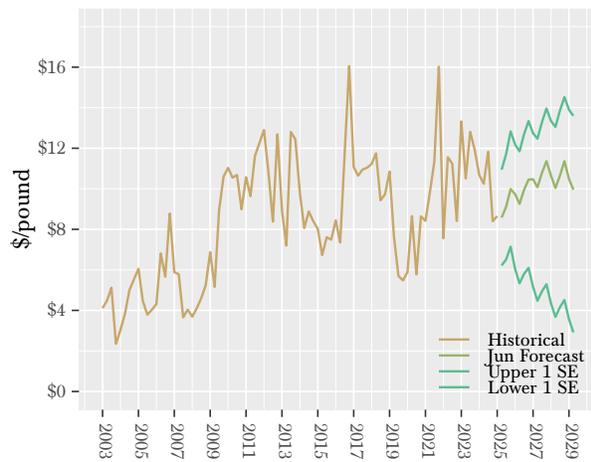
Additionally, there are, as always, potentially significant downside risks to geoduck revenues, even in the near term, that are important to consider but difficult to forecast:

- China's economy appears to be slowing

meaningfully.

- Harvests (and therefore revenues) could be deferred or lost if geoduck beds are closed due to occurrence of paralytic shellfish poison or arsenic.
- Harvests will be slowed or delayed if there is an injury or death of a diver.
- Early in 2021, heavy rains overwhelmed sewage treatment plants in the Puget Sound, spilling untreated sewage into the sound and closing geoduck tracts for several weeks. Although program staff were able to offer alternative harvest from different tracts, this type of risk will continue as the effects of climate change grow more severe.
- A recent Washington Department of Fish and Wildlife survey of closed South Puget Sound geoduck tracts showed declining recovery rates and evidence of active poaching, suggesting that future commercial harvest levels may be further reduced.

Figure 27: Geoduck Auction Prices



**Total Revenues from All Sources**

The forecast revenue for the 2023-25 biennium is essentially unchanged at \$500 million, while the 2025-27 biennium is decreased by \$2.1 million to \$487 million. (Figure 28).

Figure 28: Total Revenues



**Distribution of Revenues**

The distribution of timber revenues by trust are based on:

- The volumes and values of timber in the inventory (sales sold but not yet harvested) by trust;
- The volumes of timber in planned sales for FYs 24 and 25 by trust, and relative historical timber prices by DNR region by trust; and
- The volumes of timber by trust for other years based on output of the sustainable harvest model and relative historical timber prices by DNR region by trust.

Because a single timber sale can be worth more than \$3 million, dropping, adding, or delaying even one sale can represent a significant shift in revenues to a specific trust fund.

Distributions of upland and aquatic lease rev-

enues by trust are assumed to be proportional to historic distributions unless otherwise specified.

**Management Fee Deduction.** The underlying statutory management fee deductions to DNR as authorized by the Legislature are 25 percent or less, as determined by the Board of Natural Resources (Board), for both the Resources Management Cost Account (RMCA) and the Forest Development Account (FDA). In biennial budget bills, the Legislature has repeatedly authorized a fee of up to 27 percent for FDA since 2013, and a fee of up to 32 percent for RMCA since 2015. However, the Board has not approved those full amounts, deciding on 31 percent for RMCA and 25 percent for FDA.

The Forecast assumes that the Legislature and Board will continue to approve the RMCA management deduction at 31 percent and that the BNR will continue to approve a 25 percent deduction for FDA.