

How ancient trees are becoming a hot new investment asset for the rich

Author: Rebone Masemola

What was driving this kind of investment?

After the financial crisis in 2008, rich people branched out into greener pastures by putting their generational wealth into acres of lands with roots in ancient trees. This global economic event alerted the rich because they saw their assets heavily affected, driving investments in safer commodities that grow in the long-term with a value that isn't determined by unpredictable highs and lows of stock market forces. Thus, investing in these 'evergreen assets' also allowed rich families to own commodities they could pass on across the generation, especially since timber takes an average of 30 years to grow to a state where it's sellable.

Buying into ancient timber and the acres of land that housed them was a way to diversify their investment portfolios away from traditional stocks and bonds that were hard hit during the crisis – hence a way to avoid putting all their eggs in one basket so that if one area is hit by a crisis, some of their assets will still be safe.

But how does this work?

The investors make money once the timber is harvested and sold to companies that repurpose timber for other uses, like furniture, houses etc. The most valuable of these commodities are the ones in locations that enable the owners to get continuous cash flow, it's all about location, location, location – the inventors who get their value for money are those who own land close to logging companies that require the supply of timber consistently.

Since ancient trees and the land that they stand on have become a hot asset, they have also become rarer commodities because they run the risk of extinction due to the effects of climate change – making them infinitely more valuable. Making it harder to privately buy to own by individuals.

It's also important to note this kind of investment wasn't an unusual phenomenon for the super-rich – they are people with a history of investments in artworks and vintage cars as collectables that often increase in value over time. The most unusual commodity to trade in recent years though has been water trading on Wall Street for the first time in 2020 through future contracts. It was a bit of a controversial issue considering the fact that water as a commodity is now in short supply due to drought in many countries at the moment – but this future trading phenomenon is not entirely new since it initially started in Japan in the seventh century where they allowed the rich to trade in rice futures. Thus, trading in natural resources itself is not a novelty, with a long history of trading in oil, gold and other natural resources.

What does it mean for capitalism and how we think about money?

Rich people think differently about money, they play the long-term game by putting their money where they can grow in value without their intervention. But as things change due to the impact of COVID-19 and climate change on our daily lives, even the rich are forced to rethink how they future proof their wealth and what they should see as valuable. People are thinking about the future like never before in the context of unpredictable circumstances – reimagining which commodities will be rare in the future has become a game of chess. So, investing money in areas like water and other necessary natural resources will become even more popular. Those with the means can secure resources they know they might need now and in the future – with questions of access to basic resources, health and safety being taken into account. With a move away from just investments that will give them more monetary profits, but also spending their wealth on commodities like housing in 'COVID-Free' havens in countries that have strong healthcare systems (in case of another healthcare crisis).

While others are literally putting their money where their mouth is with investment in retail, with future investments that can allow them possibly to live self-sufficiently.