MARCH 2026

CBRE

Valuation of Land Under Forestry

– Evolution of Ownership of Forestry Land Estates
– Land Valuation Techniques
– Land Valuation Challenges

A Brief History

1870's South Australia - State-owned Softwood industry establishment – self sufficiency. Victoria closely followed.

1900-1950 – State owned – mainly native forest reserves on Crown Land – viewed as important public infrastructure assets.

Very limited private sector investment – SAPFOR scheme in South Australia (1930's).

1950-1980's – expansion of state-run plantations (mainly radiata); Federal govt loans to states via Softwood Forestry Agreements Act.

Circa 25,000 hectares per annum expansion over some of this period.

1990's – National Forest Policy Statement – triple national plantation estate by 2020.

Sustainable production - reduce native forest logging.

VALUATION & ADVISORY SERVICES

The 1990’s

Managed Investment Schemes

Corporatisation of State- owned commercial plantations

Managed Investment Schemes provided investment incentives of 100% up-front tax deductions

Focussed on short rotation hardwood tree crops – targeted productive land types in 600mm + rainfall zones.

State Governments commenced corporatisation of commercial plantation estates. Victoria fully privatised – late 1990's.

More than 10 years before South Australia, Queensland and Tasmania would follow.

The Shift to Global Institutional Capital

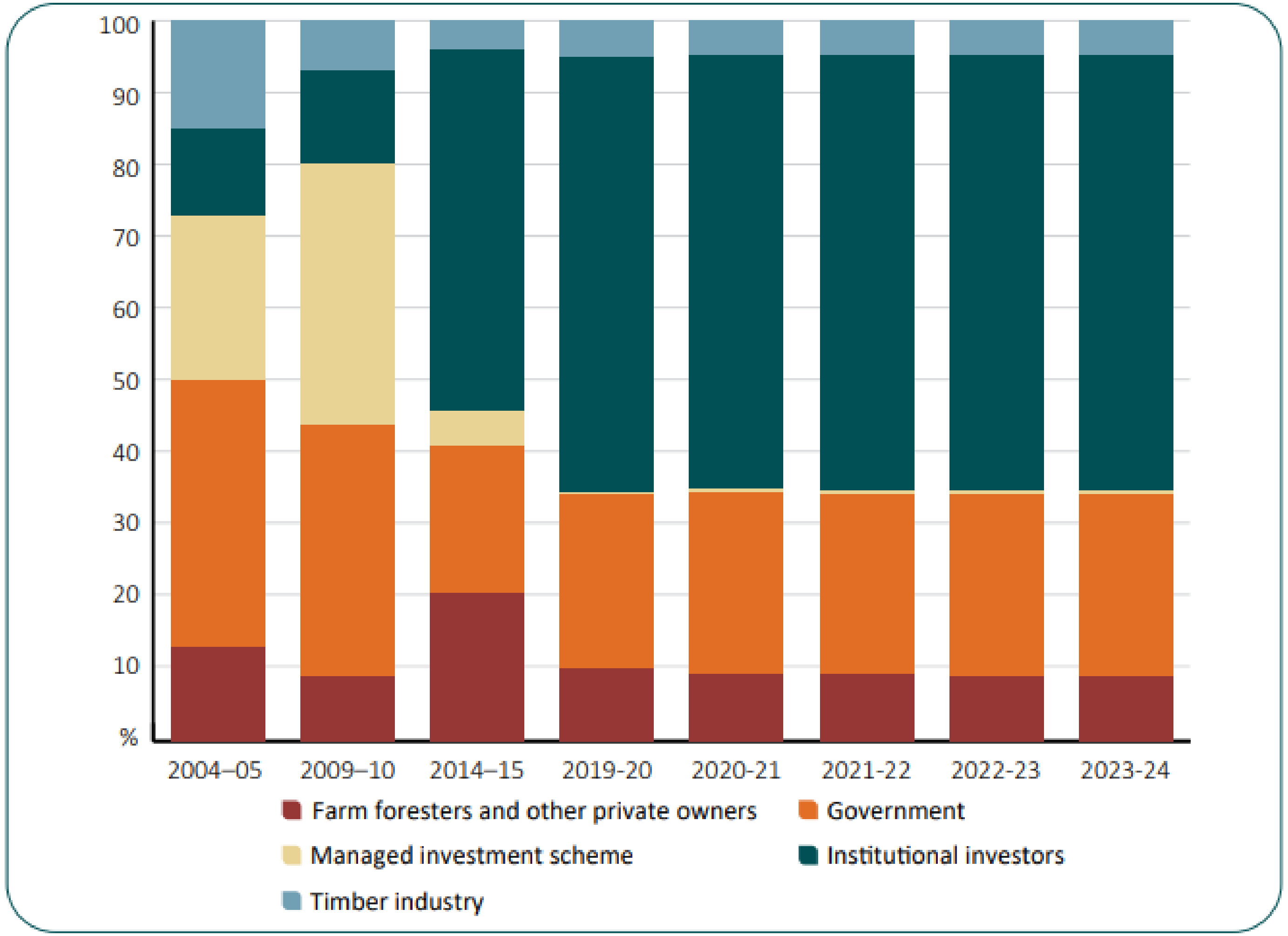
The Global Financial Crisis led to the collapse of the MIS sector – Timbercorp, Great Southern, FEA, Wilmotts, ITC, Gunns & others.

Pension/Superannuation funds, Timberland Investment Management Organisations to the rescue.

Consolidation into larger estates with more robust capital structures and longer-term management programs.

Orderly divestment of surplus or non-viable forestry land.

Institutional investors continued to own 60% of the plantation estate in 2023-24



Australian Government
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Land Valuation Approach & Challenges

Direct Comparison through the analysis of comparable transactions is the best evidence.

Often difficult to analyse when sold as going-concern operations; apportionment between land, tree crop and other inclusions.

Emerging body of sales of cut-over land – very helpful for land coming out of plantation use.

Emerging body of knowledge on reversion costs and methods.

Land Valuation Approach & Challenges

Classification of estate being valued into continued forestry (“core”) or sale post-harvest (“non-core”).

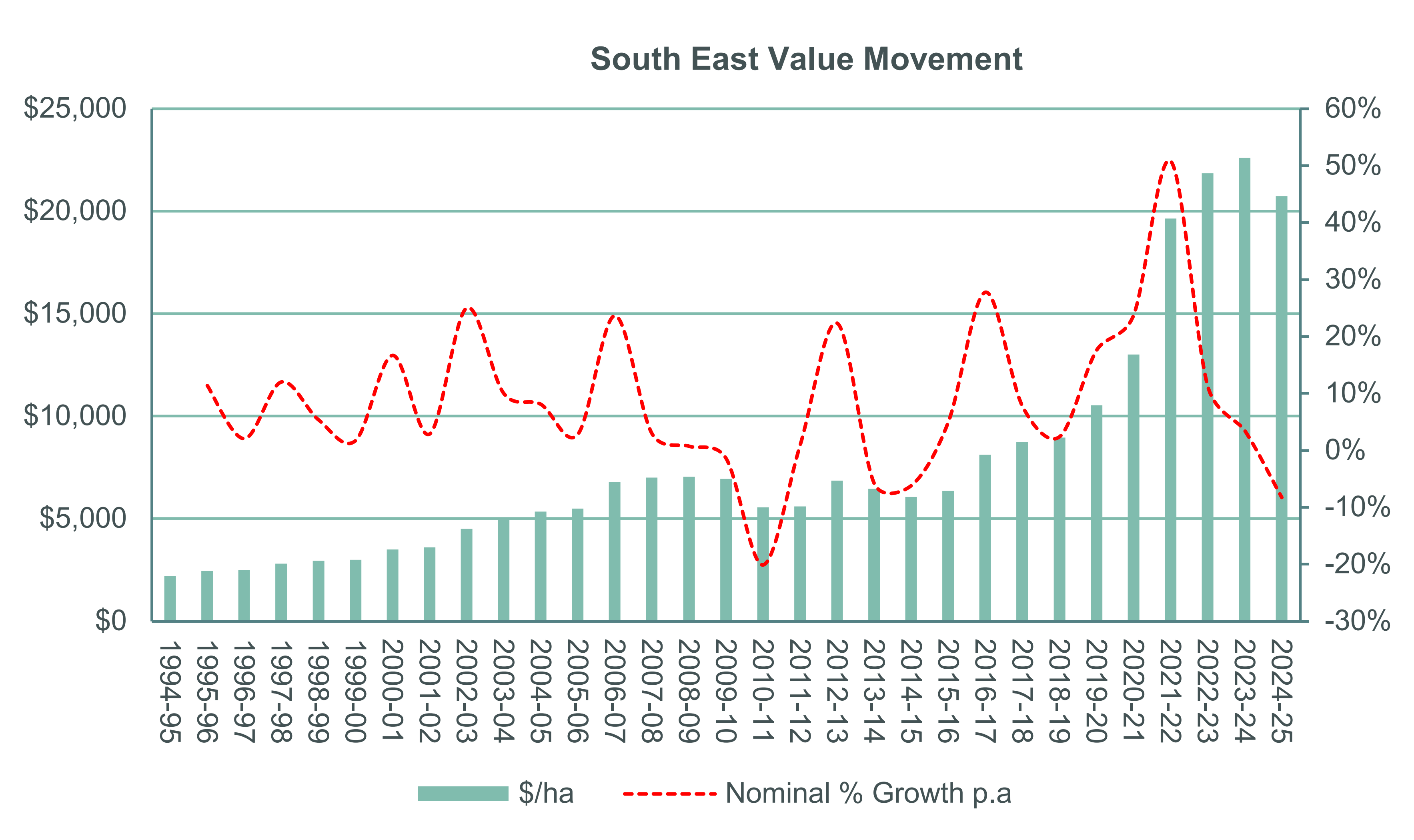
Core involves an assumption of forestry being the Highest and Best Use. No requirement to adjust for reversion costs.

Non-Core classification means destined for change in use – triggers reversion adjustments.

Full reversion – stump removal, rake and clear burden, cultivate – high value land.

Part Reversion – poison stumps, chopper-roll or similar – grazing only.

- 30-year study period
- Grant and Wattle Range Councils
- Nominal annual growth of 7.50% compounding
- Average annual growth from 2015 to 2025 was 12.56%
- Biggest fall was (20.14%) in 2010-2011



Land Valuation - Key Challenges

Escalating Land Values – rising tide lifts all boats

What is the inflection point where economic returns from tree crop no longer support rent?

Forestry Rent – how much can the tree crop afford to pay the land as occupancy rent?

CBRE thinking is currently around 3.5%.

Greenfield values versus forestry use.

Does the act of planting trees impair the value of the land and therefore suggest an automatic discount?

Carbon projects may serve to solve the problem of land rent affordability.

Thank you.

Gracias धन्यবাদ Salamat धन्यवाद Obrigado 謝謝 Спасибо 감사합니다 Merci תודה شكريه. Danke ありがとう Terima Kasih شكرا

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