IFA-NZIF
Forest Valuation Seminar

# Treatment of Land in a Forest Valuation

Jessica Brown
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MARGULES GROOME

# Who we are

Margules Groome’s consulting reach is global, through a combination of its own office network and associate and alliance offices

- Margules Groome Offices
- Global Consulting Alliance (GCA) Offices

# Overview

- Reality vs Reporting
- Relationship of Trees and Land
- Consistency in Counting

# Reality vs Reporting

## Two ways of seeing the same forest

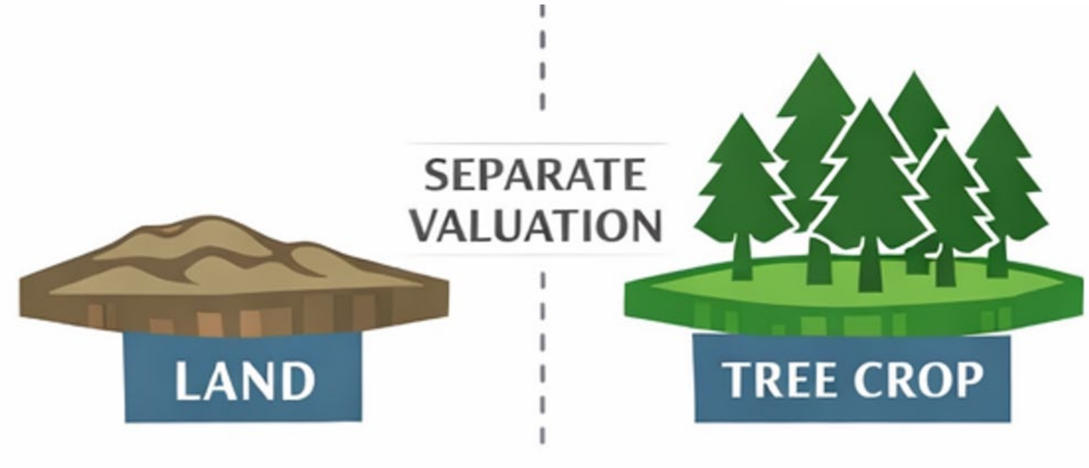
### Market View

- One combined Asset
- No internal rent (unless real rental)
- Value = total cashflow


### Reporting View

- Land value (IAS/IFRS 16)
- Tree crop value (IAS 41)

A notional land rental is used to allocate value correctly.

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# Relationship of Trees and Land

Expectation method has two land tenure types:

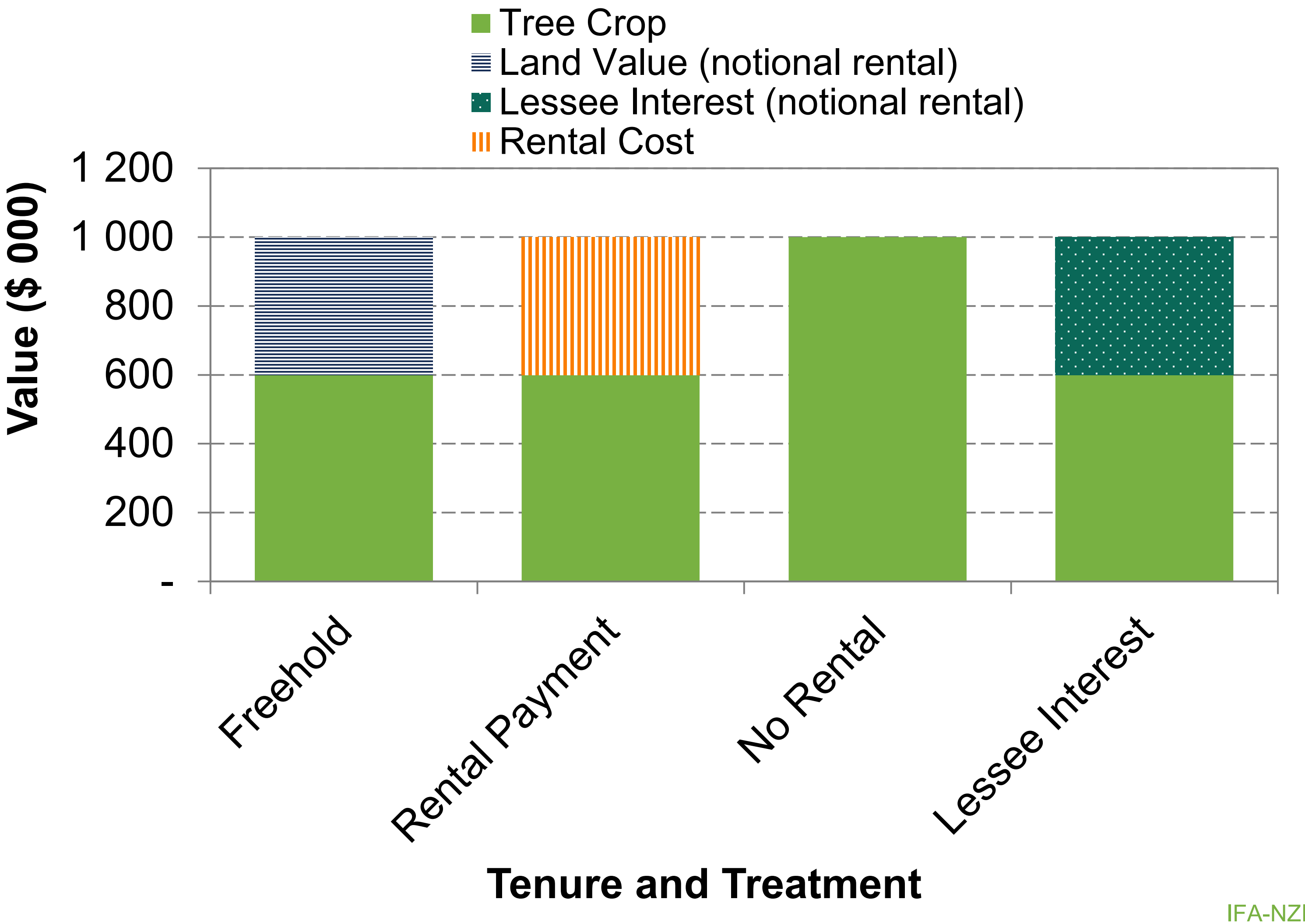
- Leased / rented
- Freehold

# Opportunity Cost

In estimating tree crop value and future crop value, the opportunity cost of land shall be included using **market rental**, **regardless of land tenure**.

*IFA-NZIF Standard B12.1 Method of Valuation*

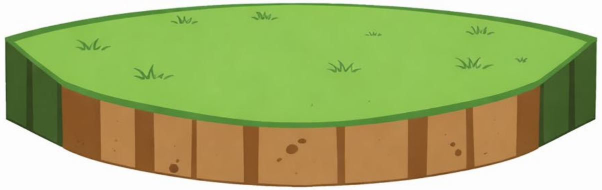
# Opportunity Cost



# Consistency in Counting

**Ensuring everything is counted, but only once!**

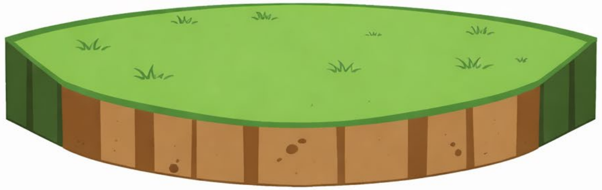
# Consistency - HBU

**Conversion cost?**

# Consistency - Carbon


Carbon value included with tree crop?



Carbon value included with land?

# Summary

- **Reality vs Reporting**
  - market view vs reporting and accounting standards
- **Relationship of Trees and Land**
  - disaggregation and opportunity cost
- **Consistency in Counting**
  - ensuring everything is counted, but only once!

www.margulesgroome.com | info@margulesgroome.com

**Australia**
Scottish House
Level 4, 90 William Street
Melbourne, VIC 3000
Tel: +61 3 8199 7937

**New Zealand**
Level 1, 22 Fanshawe Street
PO Box 105891
Auckland CBD 1010
Tel: +64 9 918 1100

**Netherlands**
Westerhoutpark 11
2012JL Haarlem
Netherlands
Tel: +31 20 491 9194

**South Africa**
128 Welgevonden Boulevard
Stellenbosch 7600
Tel: +27 82 771 9540

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