



PREPARING A FOREST FOR SALE

Over many years, you have tendered your forest. As maturity approaches you want to be sure that you are well prepared for the sale process.

Buyers will be putting your forest “under the magnifying glass” to assess its value. An understanding of key value influences can help you with a pre-due diligence, preparing your forest to go on the market.

The key value drivers are the physical characteristics of your forest, sources of cash from the forest net of likely cash outflows. It will also pay for you to have an opinion on how the “cost of bush” should be treated and likely value risks.

Physical characteristics

Certain information elements are common across all forests. Here are some of the items that help describe your forest to buyers.

- Location
 - Road name and number
 - Map of forestry boundaries
- Resource
 - Area
 - Species including breed
- Management
 - Generic regime (pruned, thinned, carbon)
 - General health
- Site
 - Distance from public road
 - Access points
 - Vehicle access
- Wood volume
 - Total standing volume estimates

Cashflows

Buyers will be trying to assess the net cashflow the forest will generate for them. We may be able to help you point them to sources of information that will help them to make accurate risk assessment across:

- Cash inflow
 - Log markets
 - Carbon prices
 - Ancillary crop income
- Cash outflow
 - Maintenance and other outgoings including ground rent, rates and insurance
 - Tending options
 - Harvest options

Cost of bush

As forests are established, expenses are tax deductible. However, when a planted forest is purchased it is treated as a capital item and the associated tax expense is depreciation. Consequently, any forest is likely to have a higher long term value to the seller than buyers. The value gap may need to be negotiated in some way.

Risks

The presence of negative risks will reduce price. Risks buyers are likely to look for include:

- Market risks
 - Local Market demand
 - Distance to market
 - Presence of alternative land uses
 - Availability and terms of finance
- Regulatory risks
 - Availability and terms of resource consents
 - Changes to carbon regulations
 - Tax changes

www.forestx.com

New Zealand's electronic forest market is a universal, easily accessed place for selling forests. Sellers can be confident that they are reaching a wide range of domestic and overseas

buyers. It provides transparency in terms of the range of lots that are available and how a transaction for any one lot will take place.

In registering your forest for sale at www.forestx.com you have the option of submitting information on the physical characteristics so that we can produce a Forest Description Report for your forest. This is an invaluable tool for helping buyers complete their due diligence efficiently.

In registering, sellers undertake to meet fees on the successful consummation of a sale. Fees are 0.4 percent for transactions plus 0.4 percent if we have prepared a Forest Description Report for you, a maximum of 0.8 percent. Land sale fees are separate and negotiated directly between you and your real estate agent. Fees are payable regardless of how the forest is sold in the twelve month period from it being listed.

Help is at hand

If you need assistance, please email us at help@forestx.com or call us during New Zealand business hours on +64 4 390 1700. We will be pleased to assist you.