

# ***Buyer Beware***

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Private Forestry Southern Queensland receives frequent requests to carry out property inspections in order to estimate of the value of the timber growing on a property. Many of these requests are being made by potential buyers hoping to recoup some or the entire purchase price. This expectation I believe is being generated by some Real Estate Agents delivering their sales pitch, from reading sale prospectus for plantation establishment and from the general feeling that trees are a valuable commodity.

Most properties presented in the market place with sizeable native forests have had some form of timber harvest operations carried out in the past. The degree of timber removal varies from low to very high and in many cases all that remains is a stand containing predominantly immature trees with a scattering of larger low quality or worthless trees. To the unskilled eye these trees may appear to contain valuable timber. In many cases the removal of the saleable timber before sale would not significantly reduce the selling price of the property or on the other hand by removing the timber, the property would be difficult to sell. The question to ask oneself is; if the value of the timber on the property is sufficient to return a value equivalent to or a large proportion of the property purchase price, why hasn't the present owner sold the timber himself?

The number of trees on a property does not always relate to high values. Tree species, size and shape are most important. For a tree to achieve a minimum sawlog (2.4 m) it would need a diameter at breast height (1.3 m) of at least 35 cm. Smaller tree sizes and logs with more defect than the standards allow may not warrant the cost of retrieval. Generally the percentage of sawlog to salvage grade log harvested range between 40% and 60%. Salvage grade sawlog value is approximately one third of sawlog grade. The value of products weather sawlog, poles, piling, fencing material or even firewood is affected by available volume, species, diameter size, access and haulage distance.

A recent inspection of a 139 hectare property on the market at \$400 000.00 (\$2878.00 per ha) showed 24 hectares of cleared or regrowth vegetation, 43 hectares of RE 'Remnant of Concern' and 72 hectares of 'Remnant Not of Concern' vegetation. Much of the forest area was steep with poor access for haulage. The trees on the 43 hectare 'of concern' vegetation were small and returns from a harvest would be low. Of the remaining 72 hectares the areas with easy access had been logged in the past while the steeper less accessible areas carried poorer quality timber and was more scattered.

The potential buyer of the property was told the timber would almost pay for the purchase price. The timber value return from the available forest would need to be \$3478.00/ha. With an average price of \$55.00 per cu metre the forest harvest would need to yield 63 cu metres per hectare. Even a very high quality managed forest would only achieve 20- 30 cu metres per hectare over a 20 year cycle. A forest practice should promote sustainable forest management. A forest that is to be managed sustainable needs a financial investment in the way of silvicultural treatment following a harvest operation.

In summary this property would only yield a light harvest at the present time and would require a substantial investment in silvicultural treatment. It would be many years before a harvest would yield a significant return. Because of the small area of cleared land able to generate further income I believe the property to be an expensive lifestyle block.

A checklist of things to look for when buying a property with the expectation of managing forest areas for timber production should include:

- The prospective buyer should have a clear picture as to why he or she is purchasing the property. Is it lifestyle, to supplement an income, provide a sole income, resale or perhaps a combination of all these.

- **Review the Regional Ecosystem map available from**

DNR & M (Department of Natural Resources and Mines). This will enable the buyer to view the amount of cleared land to remnant vegetation (native forests). Expectations of deriving a sole income from managing a property for timber may be unrealistic and the forested area needs to be augmented by income from other sources either from other pursuits on the property or from elsewhere.

- Check with the Local Authority for any restrictions under their local government planning schemes. Even though a forest practice can take place under State Government Legislation, Local Government planning schemes and bylaws can further regulate vegetation management.

- Inspect the forest for previous harvest operations (evidence of stumps, tree heads etc) and the size, health and distribution of the remaining trees. This will give an indication of the size of trees growing previously and sites future capabilities. Previous harvest operations in many cases have left the forest in a degraded state which will require a substantial investment to reset the forest into a healthy vigorous state. It may be decades before future harvesting will return the investment costs and provide an income to the owner.

- Check for evidence of regeneration and weed infestation. Large gaps in the canopy which do not carry regeneration may be caused by heavy infestations of lantana or other weeds. A large infestation of noxious weeds such as ‘Mother of Millions’ and Giants Rat’s Tail grass can be difficult and expensive to eradicate.

- Check the accessibility for haulage trucks and harvest machinery. Distance to sawmills, steepness of terrain and soil and surface conditions all reflect on the royalty price paid to the property owner.

