



**2433 Matawai Road  
Te Karaka  
GISBORNE**

Market Valuation prepared for:

**Roger Dickie (NZ) Limited & Bank of New Zealand**

As at 17 January 2022



## EXECUTIVE SUMMARY

Property Address:	2433 Matawai Road, Te Karaka, Gisborne
Brief Description:	The subject property comprises a proposed 131.31 hectare parcel contained near Te Karaka approximately 30 kilometres north west of Gisborne. The subject land consists of primarily medium to steep hill country with some easier areas. Water is provided by natural sources with access being over a well-formed central access track, the natural contour and smaller formed farm tracks. The property has historically been utilised for sheep and beef breeding and finishing purposes with the addition of two areas of mature Pinus Radiata comprising 12.11 hectares. The property has recently been purchased for conversion to production forest. There are no building improvements contained on the land.
Report:	Attached to this executive summary is a full descriptive report containing conclusions, methodology and property details. This summary is to be read in conjunction with the full report.
Instructing Party:	Jeff Dickie
Registered Owner:	Stephen William Dewes and Andrew Bernard Cranswick (Title GS5a/978) Marie Pamela Cranswick, Andrew Bernard Cranswick and Richard Geoffrey Cranswick
Client:	Roger Dickie (NZ) Limited
Purpose of Report:	To assess the "As If Complete/As Proposed" market value for investment purposes.
Reliant Parties:	Directors of Roger Dickie (NZ) Limited
Date of Inspection:	6 October 2021
Date of Valuation:	17 January 2022
Interest Valued:	Freehold – Fee Simple. We note the production forestry contained on the land are excluded from this assessment.
Market Capacity:	The Gisborne pastoral market over recent times has generally been strong with good interest seen in a variety of farm properties. Interest has been from a range of sheep and beef and forestry purchasers. The property has recently been purchased. Given the location, contour, development and overall productivity of the land the highest interest was from forestry participants. Interest from this market group is strong, with these types of purchasers out-competing sheep and beef operators on multiple occasions. This is largely driven from the rapidly increasing carbon price seen.
Factors Influencing Value:	Location, size, contour, development, workability, carbon price, market.
Other Improvements:	\$44,000
Land Value Assessments:	\$1,646,000
<b>Market Value:</b>	<b>\$1,690,000</b>
Valuer:	Jay Sorensen B Appl Sc (Rural Val) Agr Bus, MPINZ, ANZIV

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## APPENDICES

Appendix A Statement of General Valuation Policies

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## **1.0 INTRODUCTION**

- 1.0.1 Further to your instructions we inspected the subject property on 6 October 2021 in order to assess the market value at 17 January 2022 for investment and BNZ finance purposes.
- 1.0.2 The subject property comprises a proposed 131.31 hectare parcel contained near Te Karaka approximately 30 kilometres north west of Gisborne. The subject land consists of primarily medium to steep hill country with some easier areas. Water is provided by natural sources with access being over a well-formed central access track, the natural contour and smaller formed farm tracks. The property has historically been utilised for sheep and beef breeding and finishing purposes with the addition of two areas of mature Pinus Radiata comprising 12.11 hectares. The property has recently been purchased for conversion to production forest. There are no building improvements contained on the land.
- 1.0.3 This introduction is to be read in conjunction to our full report attached.

## **2.0 VALUATION CONCLUSIONS**

- 2.0.1 When assessing the market value of the subject property we have considered the property features and compared the sales of other properties that have transacted recently and have adjusted those sales to reflect the location, standard of improvements, and productive capacities compared to the subject property.
- 2.0.2 Location – The property is contained within the Te Karaka District which is deemed a desirable farming and forestry location. The subject site would be considered suitable for Radiata Pine afforestation with growth potential deemed above average when compared to other sites in Gisborne, and better than the national average. The property is also within close proximity to Gisborne which reduces transport costs.
- 2.0.3 Contour – The property consists of primarily medium to steeper hill country, with some easier tops and valley floors. From a forestry perspective the block is suited to a mix of ground based and hauler based harvest systems.
- 2.0.4 Size – From a sheep and beef perspective the property would be deemed too small to run as a standalone unit although the property does have the potential to increase carrying capacities through further development. We would expect interest from neighbouring operators, larger farming enterprises and lifestyle type purchaser seeking to run the land in conjunction with an off farm income. From a forestry perspective the subject provides a smaller size forestry block. Given the location this would appeal to the market.
- 2.0.5 Development – The property would have a fair level of development with predominantly natural water and average quality fencing. These factors limit the overall productivity and workability of the land from a sheep and beef perspective.
- 2.0.6 Access – The current access to the property passes through the area to be subdivided off. Whilst rights over this access will be given to extract the current tree crop, there is no legal right over this area to extract trees in the future, unless the vendor is still in possession of the subdivided land. There is therefore a risk that if the subdivided land is sold to another party, that this access way could not be used. Any access would therefore be through negotiation with the incoming purchaser at date of harvest, or an alternate access off Matawai Road would need to be constructed. An alternate access from Matawai

Road could be constructed however this would increase costs. Some alternate access would likely have to be constructed anyway as the previous described access is only to be used for harvest. This has been considered in our valuation assessment.

- 2.0.7 Section 27B State Owned Enterprises Act 1986 – Titles GS6A/220 and GSA/222 are subject to the section 27B State Owned Enterprises Act 1986. Section 27B of the State Owned Enterprises Act 1987 states that at any time the land can be transferred back to Māori or Crown Ownership on the recommendation of the Waitangi Tribunal and does not provide for third parties such as the owner of the land to be heard in relation to the meeting of any such recommendation. Given any resumption should be at market values we do not believe the interest to have a material impact on the value for the proposed land.
- 2.0.8 Emissions Trading Scheme – The subject property once planted will be entered as a participant under the Emissions Trading Scheme. If deforestation (forest is cleared and the land has been converted and is no longer in forestry) was to occur on the areas registered in the ETS, the land owners would be required to offset their carbon liability by surrendering NZU's at that time. If NZU's have been sold, there may be significant penalties to be incurred, given land owners will need to purchase NZU's at that time to offset the liability. If the forest is registered under the averaging scheme there is no harvest liabilities to be paid, as long as the land is replanted back into trees. Under this model however the value of the land at harvest would be in-line with base forestry values at that time. Land values under this model would therefore reduce from Greenfields (base forestry plus carbon) to base forestry value once an average of the carbon is sequestered. This will have a significant impact on the value of the land as carbon is sequestered and sold. The ETS is a regulatory system subject to change by political influences. The market value assessment is based on current and proposed rules and current carbon prices. Both rules and carbon prices may change in the future which may materially negatively impact on market value.
- 2.0.9 Forestry Right – We understand a Forestry Right is to be registered over the subject property. Linked to the Forestry Right is a separate Deed of Lease which relates to the payment mechanism upon harvest of the Forest. Under the Forest Right the Landowner and Forest Owner are the same entity. The Forestry Right cannot be assigned, leased or otherwise disposed of without the prior written consent from the Landowner. The Lease cannot also be assigned. The Lease outlines that the Lessee cannot do anything to impact the value of the Forest Land without agreement by the Forest Owner.
- 2.0.10 In assessing the value of the property we have undertaken an analysis of the property in the market particularly looking at the strengths and weaknesses specific to this property and how this relates to the wider market and economic conditions prevailing at date of the valuation and over the short term that may influence the demand and value levels.

Strengths & Opportunities	Weaknesses & Threats
<ul style="list-style-type: none"> <li>• Location</li> <li>• Size</li> <li>• Contour</li> <li>• Not overcapitalised with improvements</li> <li>• Predominantly clear land</li> <li>• Market</li> <li>• Low interest rate environment</li> <li>• Carbon opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Size</li> <li>• Overall development</li> <li>• Limited water</li> <li>• Fencing</li> <li>• Access</li> <li>• Power lines</li> <li>• Mixed contour</li> </ul>

Strengths & Opportunities	Weaknesses & Threats
<ul style="list-style-type: none"> <li>Distance to port</li> <li>Availability of overseas capital</li> </ul>	<ul style="list-style-type: none"> <li>Section 27B State Owned Enterprises Act 1986 registration</li> <li>Change in legislation</li> <li>Strong market</li> <li>Term of investment</li> <li>Volatile commodity returns</li> <li>Legislation</li> <li>Shipping costs</li> <li>Interest rates increase</li> <li>Covid-19</li> <li>Forestry Right</li> </ul>

### 3.0 MARKET VALUATION

3.0.1 After examining all factors and subject to the overriding conditions we conclude the "As If Complete/As Proposed" market value of the property as at 17 January 2022 is:

**ONE MILLION, SIX HUNDRED AND NINETY THOUSAND  
DOLLARS  
(\$1,690,000)**

Apportioned as follows:

Value of Improvements	
– Other Improvements	\$44,000
	\$44,000
Land Value	\$1,646,000
Market Value – Land & Buildings	\$1,690,000

*The above valuation assessment is **plus** Goods and Services Tax (if any).*

### 3.1 Special Assumptions

- 3.1.1 This valuation has been completed on a desktop basis without an updated inspection. The valuation is undertaken on the basis that the property is in a similar state and condition as per our previous inspection on 6 October 2021. If this is not the case, Logan Stone Ltd retains the right to reconsider the value assessments.
- 3.1.2 The "As If Complete/As Proposed" values are based on the assumption that the proposed subdivision will be completed to the standard as outlined and understood by Logan Stone Limited and have regard to the current market conditions prevailing as at the date of this valuation. Should the subdivision deviate in any way from those outlined and understood by Logan Stone Limited, Logan Stone reserves the right to review and reassess the above value assessment if necessary. The valuation is based on the land being held within its own Record of Title.
- 3.1.3 The valuation is based on the Landowner and Forest Owner under the Forestry Right being held within common ownership, and there being no carbon liabilities created by this Forestry Right which impact on the market value of the land.



The valuation is also based on the assumption that if the land and/or trees are sold, that the Deed of Lease associated with the Forestry Right be terminated and the Forest Right de-registered upon request of the purchaser.

- 3.1.4 The valuation is based on the ability to use the current access for the extraction of the current tree crop, along with the extraction of future trees crops if the current vendor is still in possession of this neighbouring land.
- 3.1.5 The valuation is based on all land being post 1989 forest land and therefore is eligible to be entered into the Emissions Trading Scheme (ETS). We are advised that the two Pinus Radiata plantations contained on the property have not been registered within ETS, and there no carbon liabilities associated with the land.
- 3.1.6 The forestry plantings have been excluded from this assessment, with the land under forest included.
- 3.1.7 The forestry rights registered on the Titles are to be removed.
- 3.1.8 The valuation is assessed on the basis that a formed access way can be provided off SH 2 onto the subject land. The current Title is subject to a limited access road registration. This would likely need to be removed to provide suitable access.

## **3.2 Security Comment**

- 3.2.1 As per the Australian and New Zealand Guidance Paper (VGP112) unless a lender specifically requests or has a stated policy that such recommendation be provided by the Valuer, no specific recommendations has been made as either to the suitability of the property as a lending security or the maximum loan as an amount or a percentage of value. The only advice to mortgage lending is comments on the quality and condition of the assets and perceived risk to the maintenance of ongoing market value.
- 3.2.2 The subject property provides a smaller sized pastoral unit situated within a desirable farming and forestry area of Gisborne.
- 3.2.3 Over the last three years we have seen very strong interest from forestry participants in the pastoral market. These purchasers are looking for Greenfield pastoral farms for development to forest. The increase in value levels that forestry participants can offer for a Greenfield property is in direct correlation with the recent growth in Carbon Price. This interest has had a positive impact on pastoral farm sales and value levels over recent times. The Carbon Price (NZU's) is currently at record levels trading at around \$72 per unit, having increased significantly in 2021. The market is factoring in this strong growth in the Carbon Price in their purchasing decisions
- 3.2.4 A risk to value for the subject property is the change in demand for pastoral land to convert to forestry. Currently this demand is very strong given the high carbon price and the good interest from a range of purchasers (including Overseas interests). If legislation was to change around carbon eligibility, the Emissions Trading Scheme or Overseas investment this would have a flow on effect to land prices. A number of the pastoral purchasers active within the market are farm owners who have sold to carbon forestry and then reinvest into



better pastoral properties. This is creating some strength throughout the market.

- 3.2.5 In 2020 we saw the outbreak of Covid-19 internationally. New Zealand undertook a lock-down period in April 2020 to stop the spread of the virus within New Zealand. This has been largely successful to date. Over this lockdown period there was limited property transaction undertaken. Post lockdown the market showed good strength. This was due to a shortage of listings; the low interest rate environment and property being seen as a relatively secure investment. Internationally the virus continues to spread and lock-downs within a number of countries are being seen. This is creating some uncertainty within international markets. This uncertainty is yet to flow through to the property market within New Zealand. Recently we have had a secondary outbreak within New Zealand. This has largely been contained to Auckland City. This however illustrates the fickle nature of the virus and that it could quickly influence the New Zealand economy if it became wide spread.
- 3.2.6 Parts of the property are looking to be entered as a participant under the Emissions Trading Scheme. Once planted and if deforestation (forest is cleared and the land has been converted and is no longer in forestry) was to occur on the areas registered in the ETS, the land owners would be required to offset their carbon liability by surrendering NZU's at that time. If NZU's have been sold, there may be significant penalties to be incurred, given land owners will need to purchase NZU's at that time to offset the liability. If the forest is registered under the averaging scheme there is no harvest liabilities to be paid, as long as the land is replanted back into trees. Under this model however the value of the land at harvest would be in-line with base forestry values at that time. Land values under this model would therefore reduce from Greenfields (base forestry plus carbon) to base forestry value once an average of the carbon is sequestered. This will have a significant impact on the value of the land as carbon is sequestered, claimed and sold.
- 3.2.7 The ETS is a regulatory system subject to change by political influences. The market value assessment is based on current and proposed rules and current carbon prices. Both rules and carbon prices may change in the future which may materially negatively impact on market value.
- 3.2.8 It is proposed to Register a Forestry Right for the subject property. The valuation is based on the Landowner and Forest Owner under the Forestry Right being held within common ownership, and there being no carbon liabilities created by this Forestry Right which impact on the market value of the land. The valuation is also based on the assumption that if the land and/or trees are sold, that the Deed of Lease associated with the Forestry Right be terminated and the Forest Right de-registered upon request of the purchaser. If deforestation liabilities were to occur, or the Deed of Lease did not cease upon transaction of the land this could have a detrimental impact on the market value of the property.

### 3.3 Certification

#### *Experience*

- 3.3.1 'The principal signatory has a minimum of five years' experience in valuing the subject class of asset, has all appropriate qualifications and registrations enabling them to practise as a Valuer and has not been subject at any stage to disciplinary action by the relevant professional governing body to prevent them acting as a Registered Valuer.'

#### *Independence*

- 3.3.2 The signatories have no direct or indirect pecuniary or other interests in the property being valued and are not aware of any other potential conflicts of interest.

#### *Professional Indemnity Cover*

- 3.3.3 We certify that Logan Stone Limited hold professional indemnity insurance for an amount of up to \$5 million and note this may be less than the requirement for insurance cover as set by the lender.

### 3.4 Nature and Source of Information Relied Upon

- 3.4.1 Information used to prepare the valuation has been obtained from our inspection and investigation of public sources. These public sources have been referenced where applicable within the valuation report. Additional information specific to this valuation assignment has been sourced from the following;

Source	Information Obtained/Provided
Simon Bousfield, Bayleys	General property information
PF Olsen	General property information
Roger Dickie	ETS report, maps and general information

## 4.0 OVERRIDING CONDITIONS

- Our valuation is subject to the attached Statement of General Valuation Policies.
- This valuation is current as at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of three months from the date of the valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

## 5.0 DISCLAIMER

- 5.0.1 This valuation has been prepared on specific instructions from Jeff Dickie of Roger Dickie (NZ) Limited for the purposes of investment. The report is not to be relied upon by any

other person or for any other purpose. We accept no liability to third parties nor do we contemplate that this report will be relied upon by third parties. We invite other parties who may come into possession of this report to seek our written consent to them relying on this report. We reserve the right to withhold our consent or to review the contents of this report in the event that our consent is sought.

5.0.2 Our valuation has been completed in compliance with the Standards referred to in this report. We confirm that:

- The statements of fact presented in the report are correct to the best of the Valuer's knowledge;
- The analysis and conclusions are limited only by the reported assumptions and conditions;
- The Valuer has no interest in the subject property;
- The Valuer's fee is not contingent upon any aspect of this report;
- The valuation was performed in accordance with an ethical code and performance standards;
- The Valuer has satisfied professional educational requirements;
- The Valuer has experience in the location and category of the property being valued;
- The Valuer has made a personal inspection of the property;
- The Valuer holds an Annual Practicing Certificate;
- No one except those specified in the report, has provided professional assistance in preparing the report;
- The valuation is not to be relied upon without written consent of the valuer. If the valuation is relied upon without this consent the valuer is not liable and will provide no indemnity; and
- No indemnity will be granted under any circumstances for any assigned valuation older than 120 days.

5.0.3 Portions of the valuation assessment, analysis and report compilation have been prepared by Toby Lee under the supervision of the undersigned Registered Valuer.

5.0.4 The report has been internally Peer Reviewed as part of the Logan Stone Limited internal review process. This review considers all aspects of the report, unless specifically instructed or stated otherwise.

5.0.5 Should you require any further advice, do not hesitate to contact us.

Yours faithfully

**LOGAN STONE LTD**



**Jay Sorensen**

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## 6.0 VALUATION METHODOLOGY

### International Valuation Standards (IVS – Effective 31 January 2022)

- Glossary
- International Valuation Standards – Framework
- IVS 101 – Scope of Work
- IVS 102 – Investigation and Compliance
- IVS 103 – Reporting
- IVS 104 – Bases of Value
- IVS 105 – Valuation Approaches and Methods
- IVS 400 – Real Property Interests
- IVS 410 – Development Property

### Guidance Papers for Valuers and Property Professionals (Best Practice)

#### Australia and New Zealand Valuation Guidance Papers

- ANZVGP109 – Market Value of Rural and Agribusiness Properties
- ANZVGP111 – Valuation Procedures – Real Property
- ANZVGP112 – Valuations of Mortgages & Loan Security Purposes

#### Australian and New Zealand Property Guidance Papers

- ANZPGP201 – Disclaimer Clauses and Qualification Statements

#### New Zealand Valuation Guidance Papers

- NZVGP501 – Goods and Services Tax (GST) and Property
- NZVGP503 – Valuation Reports Prepared by Unregistered Valuers

### BANK REPORTING STANDARDS

The report will also be completed in accordance with Bank of New Zealand Valuation Guidelines and minimum reporting standards.

#### Market value is defined as:

- 6.0.1 "Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

#### Highest and Best Use

- 6.0.2 Under the Market Value definition, to establish the value of the asset consideration must first be given to the highest and best use of those assets. The highest and best use is the use of an asset that maximises its potential and that is possible, legally permissible and financially feasible. Consideration must also be made to the marketing period in the present market conditions considering the wider economic and more specific market drivers. This is summarised as follows;

Asset	Highest and Best Use	Realisation Period Months	Alternate Use
2433 Matawai Road	Forestry	1 - 4	Pastoral

## **6.2 Market Approach**

### **Land Value**

- 6.2.1 Land Value is determined by sales of property that have no or limited improvements contained on them. Where sales of this type are low in volume, sales of partially or fully developed properties, or listings, are analysed to derive a base land value. When there is a paucity of sales information from specific locations information is drawn from other locations to allow analysis to occur to derive a base land value. This base land value is then further analysed to the varying land classes or soil types, whichever approach the market is using to determine the value of the land at that time for the sector and location where the market activity is occurring. Further analysis is undertaken at a more cursory level on productive based measures i.e. stock units.
- 6.2.2 Assessing a Market Value for the land component of a forestry block can be both complex and problematic due to a number of physical and economic value drivers in play. Physical value drivers include characteristics such as location, soil type and contour, tracking etc. Economic value drivers include Emissions Trading Scheme (ETS) status i.e. pre 1990 forest land or post 1989 forest land and if the land has entered the scheme, and, whether the land owners will receive income streams either from land rent or forest revenue at harvest.
- 6.2.3 From analysis of market evidence we note the forestry land market is influenced by two main drivers being 1. Base forestry economics of growing and harvesting logs (base land value), and 2. Potential income from carbon.
- 6.2.4 The main factors impacting the base economic value under forestry are location (distances to export ports and local processing), the Potentially Plantable Area (PPA), contour (whether suitable for ground harvest or hauler harvest), tree growth rates and internal road costs. Where clearing is required, this will discount the land value. It is our observation that only nominal values are placed on non plantable areas unless they can be subdivided and sold off or leased at superior returns from forestry.
- 6.2.5 For land currently in pasture or broken grazing there is significant activity to convert pasture to forestry (greenfields). The land values being paid reflects both forestry economics and the net present value of carbon potential.
- 6.2.6 The majority of the subject land provides Greenfield development which is eligible to enter into the Emissions Trading Scheme. Given this the market would likely factor in both the base forestry value and carbon value in the overall land value. We have therefore considered the land to other greenfield forestry transactions.
- 6.2.7 A key driver to the value of the property for forestry is the Potentially Plantable Area or PPA.

### **Improvements**



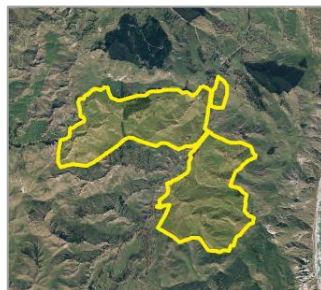
- 6.2.8 When undertaking the assessment of the improvements contained on the property, we have considered two methodologies:

- 6.2.9 The Added Value Approach is derived from analysis of sales with apportionment of the improvement value based on the various improvement components or individual building values. It is a variation of the sales approach. This approach determines the added value of the buildings and other improvements to the property as determined by the current market situation and completed sales. It considers the value of the building improvements and other improvements based on utility and functionality they add to the property and how the market is reflecting those features at that time.
- 6.2.10 The Net Rate approach is based on the analysis of sales. The analysis considers the component parts of the improvements i.e. rate per m<sup>2</sup> of building, rate per metre of fencing, rate per tree/vine etc. These rates are then applied back to the subject property and the various improvements contained on that property to provide an additional approach to value of the improvements.
- 6.2.11 The combination of these approaches forms the basis of the improvement value assessment, with priority and more weighting placed on market based information.

### **Market Evidence**

- 6.2.12 The valuation has been determined by comparison to known sales of similar properties initially in this locality but also further afield if required. These sales have been fully analysed into the various components that they contain with adjustments then made for size, floor areas, age and condition of improvements, location and date of sale.
- 6.2.13 From the available market evidence, the following transactions are considered to be the most relevant to the subject property. The following information is information that is publicly available. Further information is likely to be held by Logan Stone on the analysed property. This information often collected from inspections and valuations has been provided to us on a confidential basis and is not deemed to be public and therefore cannot be reproduced within this document. The Net Sale Price includes land and improvements.

## Comparable Sales

COMPARABLE SALES EVIDENCE	
Address	Net Sale Price
<p><i>Ngahape Rd</i></p> <p><b>Property Description:</b> Sold September 2021</p> <p>A 464.3223 hectare pastoral grazing property situated approximately 22 kilometres south of Waipukurau. The contour comprises approximately 46 hectares of flat to easy hay country, with the balance running from easy to medium hill with a small amount of steeper sidlings. Improvements include a 2015 four bedroom dwelling, three stand woolshed, three bay implement shed, deer shed, sheep, cattle and deer yards, satellite sheep yards and tagging shed in the middle of the farm. 50% of farm deer fenced, being subdivided into 44 main paddocks, Front half of the property is watered by troughs, dams and streams to the balance. The property has been sold to forestry participants for carbon and timber. The property is 95 kilometres from Napier Port.</p> <p><b>Comment:</b> Central Hawke's Bay, larger size, mix of ground and hauler based, predominantly post 1989 land.</p>	<p>Confidential</p> 
<p><i>232 Brownlie Road</i></p> <p><b>Property Description:</b> Sold September 2021</p> <p>A 375.84-hectare (STS) property just north of Frasertown, Wairoa. The property has been sold to forestry participants for carbon and timber farming. The property is predominantly medium to steep hill in contour. The property is being subdivided from the parent farming unit and has been sold as a bare land block.</p> <p><b>Comment:</b> Wairoa, larger size, similar climate, predominantly post 1989 land.</p>	<p>Under Contract</p> 
<p><i>750 Clareinch Road</i></p> <p><b>Property Description:</b> Sold June 2021</p> <p>Clareinch Station comprises a 478 hectare breeding and finishing unit situated approximately 32 kilometres south east of the Central Hawke's Bay township of Waipawa in the Purerere district. The property bounds Clareinch Road on its western boundary, with the eastern boundary being within one kilometre at its closest point to the Pacific Ocean coast. The property is of an irregular 'L' shape with a portion of the property running parallel to Clareinch Road then connecting by a narrow neck to an irregular bulb shape parcel away from the road. The contour comprises a mix of flat to medium hill country with small areas of steeper sidlings. The buildings on the property were generally found in average condition and include a four bedroom dwelling, shearer's quarters, wool shed, and range of farm support buildings. Other improvements include stock handling yards, docking yards, fencing, access tracks and water systems. There is also an area of approximately 8.6 hectares which was planted in 2008 in Pinus Radiata. The property was sold to forestry.</p> <p><b>Comment:</b> Coastal Central Hawke's Bay, larger size, mix of hauler and ground harvest, predominantly post 1989 land, inferior overall location.</p>	<p>\$5,600,000</p> 



## COMPARABLE SALES EVIDENCE

### Address

### Net Sale Price

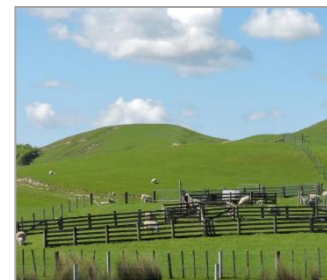
746 Te Awa Road

\$3,285,000

#### Property Description:

Sold April 2021

This is a 381 hectare sheep and beef pastoral farm situated 25 kilometres from Waipukurau. The contour is predominantly easy to medium hill country and is subdivided into approximately 26 paddocks of an average size of 14.5 ha. Water is supplied via spring fed dams and large main storage dam that reticulates around the property. Improvements include a 1960 four bedroom homestead, woolshed, quarters, sheep and cattle yards and other supporting shedding. The property has been sold to forestry buyers to plant in Pinus Radiata.



**Comment:** Coastal Central Hawke's Bay, larger, mix of hauler and ground harvest, predominantly post 1989 land, inferior overall location, market has strengthened since this time.

4956 State Highway 50

\$8,700,000

#### Property Description:

Sold December 2020

Glenlyon is a 599.4839 hectare property located approximately 33km south west of Hastings on SH 50. The land comprises of easy to medium hill with three minor gorges. Improvements to the property include an older dwelling, two smaller cottages, two implement sheds, a workshop and a number of other buildings including 5 hay sheds around the property. Other improvements include two sets of cattle and sheep yards, fencing and reticulated water pumped from the Manganuku Stream to three header tanks around the property. Sold to forestry.



**Comment:** Maraekakaho, larger size, post 1989 land, mix of ground and hauler-based harvest, desirable location, market has strengthened since this time.

1818 Whakarau Road

\$2,605,000

#### Property Description:

Sold December 2020

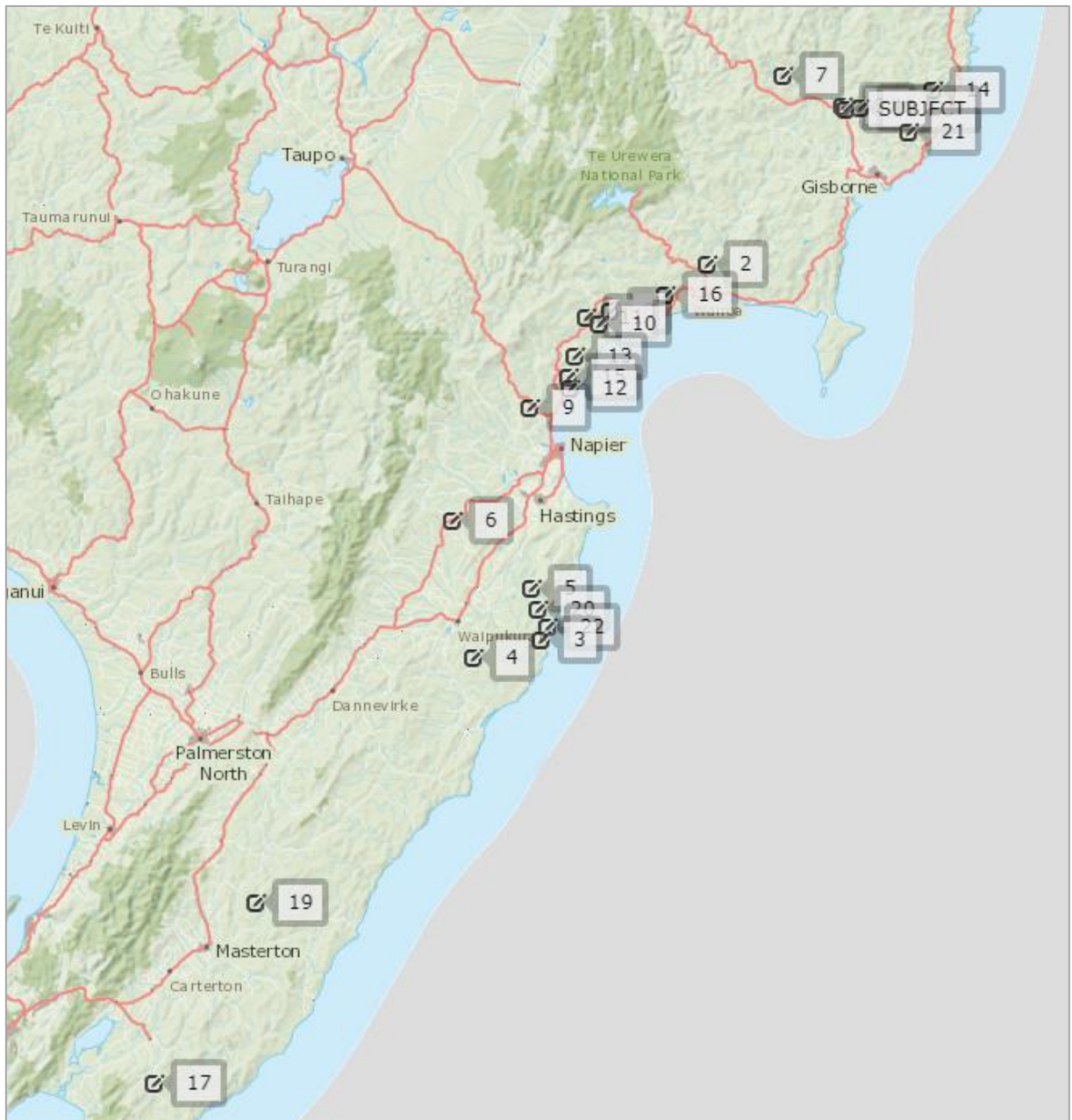
A 222 hectare pastoral unit situated 55 kilometres north west of Gisborne near Otoko. Presently utilised for bull beef finishing and dairy support. Purchased for conversion to forestry. Small area of easy contour with balance medium hill. Improvements include a three-bedroom Lockwood dwelling and full range of pastoral support buildings. The property bounds the Waikohu River on its southern boundary. Good road frontage.



**Comment:** Otoko, smaller size, predominantly post 1989, mix of hauler and ground based harvest, market has strengthened since this time.

### 6.3 Sales Location Map

6.3.1 The map below shows the location of the above and other sales to the subject property.



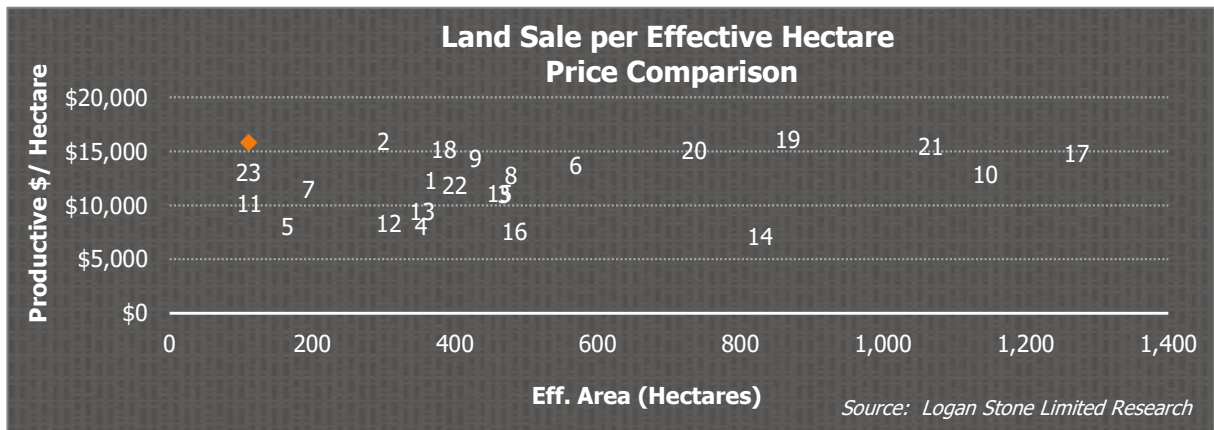
6.3.2 The table below compares the analysis of the above and other sales to the subject property. The Brownlie Road and Ngahape Road sales are yet to settle and therefore are confidential at date of valuation.

Ref	St No	Address	Sale Date	Title Area	Net Sale Price	NSP Per ha	Land Value per ha	Greenfield Land Value/eff ha
1	1312	NGAHAPE RD	Oct-21	464.32				12,350
2	232	BROWNLIE RD	Sep-21	375.84				15,972
3	750	CLAREINCH RD	Jun-21	478.16	5,600,000	11,712	11,005	11,068
4	746	TE AWA RD	Apr-21	381.64	3,285,000	8,619	7,533	8,082
5		KAHURANAKI RD	Jan-21	198.99	1,540,000	7,739	7,648	8,131
6	4956	State Highway 50	Dec-20	598.48	8,700,000	14,537	13,894	13,749
7	1818	WHAKARAU RD	Dec-20	222.03	2,605,000	11,733	10,590	11,530
8	327	HALIBURTON	Dec-20	555.17	6,400,000	11,528	11,151	12,799
9	167	BEATTIE RD	Nov-20	572.26	7,040,000	12,302	11,243	14,381
10	57	GLENBROOK RD	Oct-20	1178.87	15,259,600	12,944	12,345	12,907
11		FLAT HILL RD	Sep-20	212.14	1,855,000	8,744	8,273	10,281
12		Tangoio Settlement Rd	Aug-20	316.89	3,258,500	10,283	8,901	8,395
13	454	RIDGEMOUNT RD	Jul-20	415.40	3,460,000	8,329	8,156	9,540
14	1542	PANIKAU RD	Jun-20	1093.31	7,700,000	7,043	5,897	7,148
15	344	AROPAOANUI RD	Mar-20	477.79	5,250,000	10,988	10,828	11,134
16	148	WAIHUA VLY RD	Mar-20	484.21	4,100,000	8,467	7,714	7,618
		Minimum		198.99	1,540,000	7,043	5,897	7,148
		Maximum		1178.87	15,259,600	14,537	13,894	15,972
		Average of above data		501.59	5,408,631	10,513	10,027	10,943
		<b>Subject</b>	Jan-22	131.31	1,690,000	12,870	12,535	15,693

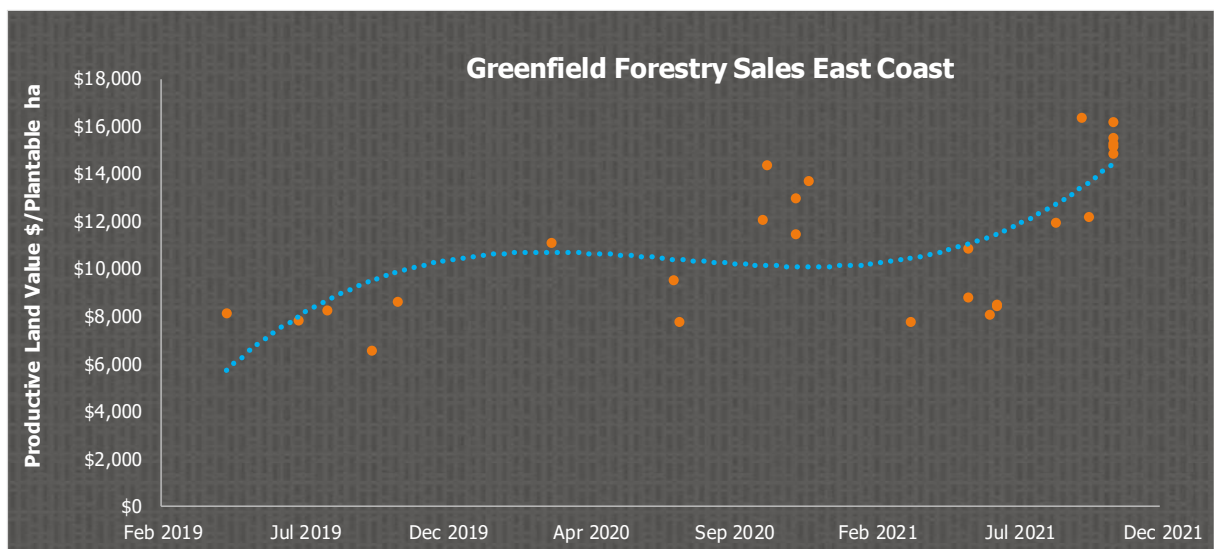
6.3.3 The above table consists of a number of older sales that were transacted at a time when the carbon spot price was trading at a significantly lower value than through the later months of 2021 and into 2022. The assessed land value is at the upper end of the range and is reflective of the current market demand, along with the location, climate and current strong carbon market.

6.3.4 We are aware of a number of other properties which have recently been offered to the market and are under contract subject to approval by the Overseas Investment Office (OIO). The greenfield land component for these sales generally sits between \$11,000 to \$18,000 per plantable hectare. This shows the good present demand for pastoral land to convert to forestry, and supports the levels assessed for the subject land.

6.3.5 The graph below shows the adopted greenfield land per effective hectare in comparison to the above sales. Properties referenced 1 to 16 on the below graph relate to the sales shown in the above table. Properties referenced 17 to 23 on the below graph represent the known transactions that have occurred but are awaiting OIO approval and are therefore confidential at date of valuation. The orange diamond relates to the subject property.



- 6.3.6 As shown above the sales that are awaiting OIO approval support the assessed greenfield land value for the subject property. These sales are recent sales with the majority having sold in November 2021. These recent sales are reflective of the strong market demand, driven by the increasing carbon price with a carbon spot price of around \$65 at the date of sale for the majority of these properties.
- 6.3.7 The graph below shows the value of the greenfield land per effective hectare value for known recent sales which are to be converted to forestry. This again supports the land values assessed for the subject land and demonstrates the current market strength.



#### 6.4 Market (Sales) Approach

- 6.4.1 Based on the market approach the value of the land would be as follows:

Sales Approach Value	Assessed Value	Subject Property \$/Title ha
Apportioned as follows:		
Other Improvements	\$44,000	\$335
Land Value	\$1,646,000	\$12,535
Sales Approach	\$1,690,000	\$12,870



## 6.5 Income Approach – Base Forestry Land Value plus Carbon

6.5.1 We have also considered the Market Value of the land if planted under trees by considering the base forestry value and adding the carbon value based on an income approach.

6.5.2 The below sales show the base land forestry land value. These sales are deemed late rotation or cutover post-89 land which have limited carbon opportunities.

Ref	Address	District	Sale Date	Title (ha)	ETS Status	Net Sale Price	Imp. \$/Eff ha	Total LV \$/ha	Post 89 Ground \$/ha	Post 89 Hauler \$/ha
1	Castlepoint Road	Wairarapa	Oct-21	98.6	Mix	381,500	200	3,705	6,000	4,800
2	Waikaretu Wairamarama Road	Waikato	Sep-21	151.3	Mix	1,740,000	532	10,982	7,125	5,670
3	Blairlogie-langdale Road	Wairarapa	Aug-21	315.4	Mix	1,500,000	226	4,563	5,991	4,696
4	Rangitatau East Road	Whanganui	Aug-21	408.1	Post 89	1,948,000	287	4,538	6,925	5,540
5	Turankia Valley Road	Rangitikei	Jul-21	135.9	Post 89	703,000	260	4,934	5,931	4,747
6	Tutukau Road	Rotorua	Jun-21	119.9	Post 89	2,900,000	364	6,570	8,200	6,539
7	Mangapurupuru Road	Wairarapa	May-21	105.1	Post 89	448,066	150	4,127	5,610	4,488
8	Kauarapaoa Road	Whanganui	Mar-21	565.6	Post 89	2,250,000	450	3,658	5,472	4,377
9	Annedale Road	Wairarapa	Jan-21	276.2	Post 89	975,000	250	2,987	3,967	3,083
10	Shwy 2 Putorino	Hastings	Sep-20	184.63	Post 89	900,000	100	4,800	5,844	4,675
11	Burrell Road	Whanganui	Aug-20	39.8	Post 89	113,280	343	2,613	4,775	3,820
12	Wharekopae Road	Gisborne	Apr-20	43.8	Post 89	327,000	250	7,246	9,894	7,915
13	Tarndale Road	Gisborne	Sep-19	475.6	Post 89	1,800,000	280	3,548	5,198	4,159
14	Waimiha	Bennydale	Sep-19	347	Mix	1,262,500	100	3,569	5,800	4,650
15	935 Parsons Road	Tokoroa	Jan-19	50.8	Post 89	450,000	100	8,217	4,851	3,881
16	995 Stanley Road	Whakatane	Nov-18	687.4	Post 89	5,100,000	275	3,408	5,310	4,248
17	Wharekopae Road	Gisborne	Aug-18	217.9	Post 89	785,000	59	3,552	5,623	3,599
18	SH 30	Te Kuiti	Aug-18	187.7	Post 89	4,300,000	275	3,863	5,911	4,729
19	Watershed Road	Whanganui	Jun-18	1655.6	Post 89	6,750,000	50	1,871	3,650	2,920
20	Kakariki Farm Rd	Wairoa	Jan-18	260.5	Post 89	1,100,000	275	4,091	5,475	4,370
21	Tiniroto Rd	Gisborne	Nov-17	121.6	Post 89	339,600	50	2,750	3,785	3,029
22	Parikanapa Rd	Gisborne	Nov-17	215.7	Post 89	630,000	53	2,875	3,967	3,188
23	Tauwhareparae Rd	Gisborne	Nov-17	878.9	Post 89	2,260,000	250	2,374	3,557	2,889
24	Kakariki Farm Rd	Wairoa	Sep-17	321.4	Post 89	1,100,000	150	3,289	4,232	3,385
25	Kanakanaia Rd	Gisborne	Mar-17	318.7	Post 89	885,000	275	2,540	3,448	2,739
26	Rohepotae Rd	Wairoa	Sep-16	94.3	Post 89	236,000	100	2,419	3,140	2,555
Average				318.4		1,583,998	219	4,196	5,372	4,257

6.5.3 The above shows land values ranging between \$2,555 to \$7,915 per planted hectare for hauler based harvest land, and \$3,140 to \$9,894 per planted hectare for ground based harvest.

6.5.4 We have also considered the below pre-1990 forest land transactions which are to be deemed to have no carbon potential.

Ref	Address	Region	Sale Date	(ha)	(ppa)	ETS Status	LV (\$)	LV \$/ha	Forestry LV (\$/ppa)	Ground Pre \$/ha	Hauler Pre \$/ha
<b>Forestry Blocks</b>											
1	1753 Honikiwi Road	Otorohanga	Oct-20	394.5	229.0	Mix	\$580,001	\$1,470	\$1,812	\$2,045	\$1,635
2	Port Underwood Rd	Marlborough	Aug-20	35.2	30.0	Pre	\$182,000	\$5,177	\$2,000	\$2,500	\$2,000
3	Whitemans Valley Road	Wellington	Jul-20	162.7	126.0	Pre	\$285,350	\$1,754	\$2,236	\$2,795	\$2,236
4	Otaki Gorge Road	Kapiti	Jun-20	317.1	279.0	Pre	\$725,768	\$2,289	\$2,588	\$3,235	\$2,588
5	Tarndale Road	Gisborne	May-20	2,008.0	1,063.0	Mix	\$3,532,250	\$1,759	\$3,234	\$2,545	\$2,036
6	Port Underwood Rd	Marlborough	Feb-20	31.7	30.0	Pre	\$195,850	\$6,184	\$2,000	\$2,500	\$2,000
7	Wairau Valley Road	Marlborough	Dec-19	154.0	140.0	Pre	\$500,800	\$3,252	\$3,240	\$4,000	\$3,200
8	Waione Horoeke Road	Dannevirke	Nov-19	289.8	242.0	Mix	\$1,662,500	\$5,736	\$6,846	\$1,500	\$1,200
9	Oyster Bay Road	Marlborough	Aug-19	37.8	23.0	Pre	\$250,230	\$6,614	\$2,500	\$3,125	\$2,500
10	1520 Coast Road	Pongaroa	Jul-19	480.0	430.0	Pre	\$470,000	\$979	\$1,081	\$1,351	\$1,081
11	1867 Port Underwood Rd	Marlborough	Mar-19	170.9	131.1	Mix	\$824,000	\$4,821	\$2,764	\$2,875	\$2,300
12	Kenningtons Rd	Marlborough	Feb-19	216.9	194.0	Post	\$410,000	\$1,890	\$2,102	\$2,628	\$2,102
13	Gladstone Road	Levin	Dec-18	478.2	373.0	Pre	\$1,051,000	\$2,198	\$2,790	\$3,487	\$2,790
14	227 Kaiuma Bay Rd	Marlborough	Oct-18	1,133.6	666.0	Post	\$2,100,000	\$1,853	\$2,603	\$3,254	\$2,603
15	Manuka Island	Marlborough	Jun-18	2,411.0	1,912.0	Mix	\$4,912,000	\$2,037	\$2,543	\$2,888	\$2,310
16	Tokomaru West Road	Whanganui	May-18	321.8	220.0	Pre	\$472,000	\$1,467	\$2,098	\$2,624	\$2,099
<b>Average of sales</b>				<b>540.2</b>	<b>380.5</b>		<b>\$1,134,609</b>	<b>\$3,092</b>	<b>\$2,652</b>	<b>\$2,709</b>	<b>\$2,167</b>

- 6.5.5 The above analysis shows the range in value for pre-1990 ground harvest land of \$1,500 - \$3,487 per hectare, and hauler harvest being \$1,200 - \$2,790 per hectare
- 6.5.6 Based on the above we have assessed the following as a base land value for the subject land. The breakdown of hauler and ground based harvest areas has not been provided and therefore the breakdown is based on estimates from contour maps. The planted area would provide a mix of ground and hauler harvest.

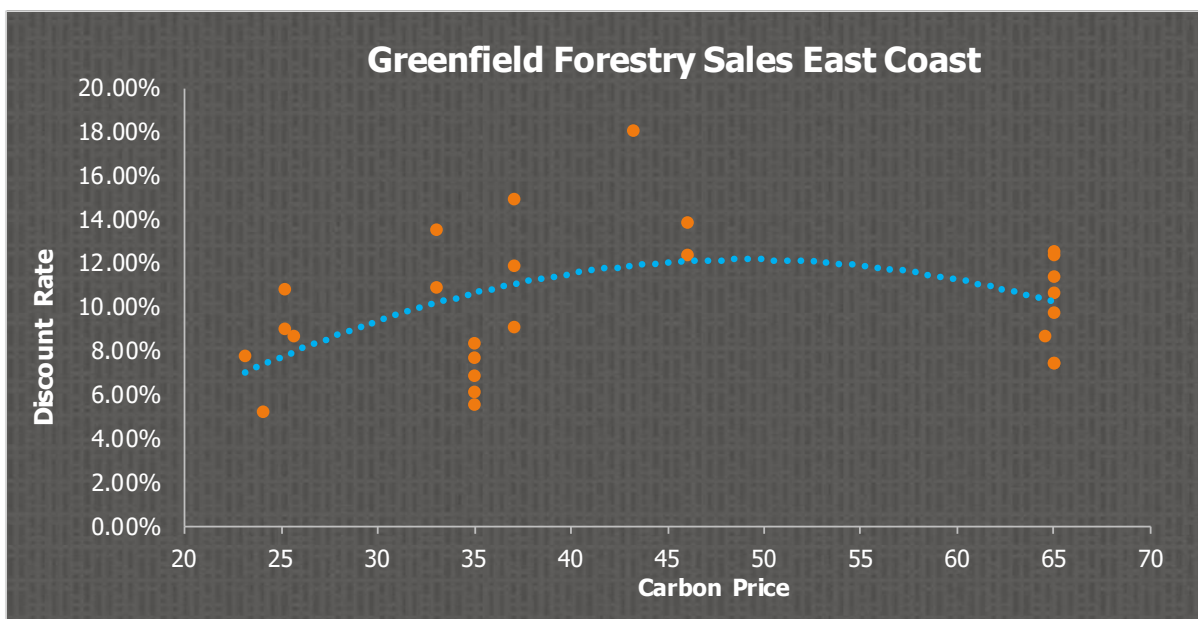
Matawai	Land Area (Ha)	\$/ha	Total
Ground	20.00	\$5,800	\$116,000
Hauler	90.69	\$4,640	\$420,802
Base Forest Value	110.69		\$536,802
Say			\$537,000

- 6.5.7 In addition to the above an allowance for the carbon associated with the land is required. This has been modelled using a Discounted Cashflow.
- 6.5.8 The Discounted Cash Flow methodology requires a forecast of the periodic net cash flow over the period of the investment. This cash flow is discounted at a market derived rate that reflects the risk, opportunity, cost of capital and the investor desired returns to compute its present value.
- 6.5.9 To determine the net present value of the carbon income streams we have adopted the averaging carbon accounting system (which becomes compulsory for all new forests entered in the ETS from 1 January 2023). For Pinus Radiata forests the average rotation length is set at 16 years.
- 6.5.10 We acknowledge there is an opportunity (prior to 31 December 2022) for professional foresters who are already participating in the ETS to buy land, enter and continue with the new forests under the current Carbon Stock Accounting method. Due to their specific circumstances this may allow them to claim and sell higher levels of carbon. We regard this opportunity to be a specific entity investment opportunity and therefore will not meet the market value IVS definition for the purpose of this report.
- 6.5.11 We have modelled the Carbon Sequestration based on MPI sequestration rates for this area. The subject land may sequester more carbon than that shown in these models if based on a field measurement approach. However, to appropriately derive a discount rate from sales a consistent measure of carbon sequestration must be analysed. The MPI model has therefore been used to derive the discount rate for the subject property and sales.
- 6.5.12 A key input to the income model is the carbon price (NZU's).
- 6.5.13 The NZU carbon price has strengthened significantly over recent times, after 4 years at low levels. In 2015/16 the Government completed its review of the New Zealand Emissions Trading Scheme (NZ ETS) to assess how it should evolve to support New Zealand in meeting future emissions targets and its ongoing transition to a low emissions economy. The review followed announcements in July 2015 that New Zealand's post 2020 target is to reduce greenhouse gas emissions to 30 per cent below 2005 levels by 2030. This review has included a

phase out of the one for two transitional measure which allowed non-forestry businesses to pay one emission unit for every two tonnes of carbon dioxide equivalent emissions. The Climate Change Response (Removal of Transitional Measure) Amendment Act 2016 will phase out the one-for-two transitional measure from 1 January 2017. This change saw a strengthening in NZU prices.

- 6.5.14 On 22 June 2020, the Climate Change Response (Emissions Trading Reform) Amendment Act 2020 was passed. The bill seeks to reduce greenhouse gas emissions by amending the Climate Change Response Act 2002 through changes to the Emissions Trading Scheme. As part of the Act the NZU fixed price limit was lifted to \$35 per unit. The Government also introduced a price floor from 2021. This is set at \$20 per NZU. From the end of 2020 the Government implemented a cost containment reserve and a move away from the fixed price ceiling. This cost containment reserve is set at \$70 per NZU for 2022, with Government to release a further supply of NZU's into the market if the carbon price gets to this level. The aim is to see net emissions peak at around 2020 levels and then begin falling from 2022. The above changes have seen a significant increase to carbon pricing, with NZU's now trading above the 2022 cost containment reserve price. The NZU spot price at date of valuation has been adopted at \$72.00.
- 6.5.15 Discounted Cash Flow calculations require the application of a discount rate when discounting the periodic cash flows. The Discount Rate should reflect the risk of current inputs changing between the valuation date and the anticipated completion date, along with the time value of money. The impact of cash flows in the latter period of the assumed investment, therefore, contribute relatively less to the present value of the property than earlier similar sized cash flows. A Discounted Cash Flow Valuation is therefore less sensitive to variance and assumptions affecting cash flows in the latter part of the holding period compared to the effect of similar magnitude variations in assumptions affecting the early part of a holding period.
- 6.5.16 The discount rate has been assessed by analysing sales on a Pre-Tax basis within the sector up to date of valuation. We have also considered other similar investments currently available in the market and corresponding discount rates for these investments. The general trend has been a softening in discount rates and yields in recent years. The carbon market has faced some volatility since its inception.
- 6.5.17 As previously discussed, the carbon NZU price has fluctuated significantly over recent years given this is heavily influenced by Government policy. Given this we have analysed our sales based on the NZU carbon price at the time of sale to derive the appropriate discount rate. A summary of the sales analyses discount rates is shown below.





- 6.5.18 As seen, there is a wide variance in discount rates analysed. The range is likely due to the different risk profiles seen within the market, the location and also purchaser's predictions around the NZU price growth. Given the strong recent growth in NZU pricing we have seen a softening of the discount rates applied in recent sales.
- 6.5.19 The carbon value associated with the planted land has been assessed based on the averaging scheme. The current NZU spot price is \$72 which is significantly higher than the prices seen earlier in 2021. Based on recent sales activity we adopted a rate of 11% for the cash flow.
- 6.5.20 This equates to \$10,799 per planted hectare on the post-89 Greenfields land.
- 6.5.21 Based on similar analysis of forestry sales the carbon value ranges from \$4,268 to \$13,105 per hectare. The subject assessment therefore sits at the mid to upper end of the range and reflective of the location and current strong carbon price.
- 6.5.22 Based on the above the base forest land and carbon value is as follows. (Note: The residual land and improvements have been added to the combined value to determine the value of the whole property using this approach).

<b>Matawai</b>	<b>Land Area (Ha)</b>	<b>\$/ha</b>	<b>Total</b>
Ground	20.00	\$5,800	\$116,000
Hauler	90.69	\$4,640	\$420,802
Base Forest Value	110.69		\$536,802
Say			\$537,000
<b>Add Carbon</b>			
Unplanted PPA	98.58	\$10,799	\$1,064,569
Total	98.58		\$1,064,569
Combined			\$1,601,569
Add residual land and improvements (sale approach)			\$87,042
Combined			\$1,688,611
<b>Say</b>			<b>\$1,690,000</b>

## 6.6 Summary of Approaches

6.6.1 A summary of approaches and the adopted value is shown below:

<b>Summary of Approaches</b>	<b>Value</b>
Market (Sales)	\$1,690,000
Income - Base Forest plus Carbon	\$1,690,000
Adopted	\$1,690,000

6.6.2 Given the current carbon price and scale of the property we would expect good interest from forestry purchasers. We have adopted a value in-line with the Sales per hectare Approach as this provides the best representation of the property and market sentiment. The Income – Base Land plus Carbon approach supports this level.

6.6.3 We understand the subject property sold on 30 July 2021 for \$1,710,000. This included the forestry plantation trees contained on the land, with the market also having strengthened since this time.

## 6.7 Plant and Equipment

6.7.1 The valuation of the property excludes all items of plant and equipment unless specifically stated otherwise within this report.

## 7.0 MARKET COMMENTARY

- 7.0.1 The pastoral market over the last twelve months has been generally positive. Sheep and beef commodity prices have been buoyant over the last eighteen months which has led to positive on farm cash flows. Earlier in 2020 Hawke's Bay was impacted by a 1 in 100 year drought, with many parts also impacted by an autumn drought in 2021. This will impact cash flows on a number of farms in the short to medium term.
- 7.0.2 Recently we have seen a number of farms offered to the market, with a number of these now having transacted. There has been good interest from the market in the farms offered, with sales price indicating very good strength within the market.
- 7.0.3 Over the last year we have seen strong interest from forestry participants in the pastoral market. These purchasers are looking for Greenfield pastoral farms for development to forest. The purchasers are often out competing pastoral operators on a number of properties. These purchasers are factoring in the potential income from sequestered carbon once trees have been established. A number of these purchasers are from Overseas and therefore transactions require approving from the Overseas Investment Office.
- 7.0.4 Over recent times there has been discretionary capital in the market place. Some of this capital has been invested in this region and sector. These investors often purchase for emotive reasons with little or no concern as to achieving a fair financial return. These buyers can often distort the values or market perception to value due to their motivations.
- 7.0.5 The current tightening of lending criteria and financial institutions balancing the loan book may place pressure on the sheep and beef sector and the ability to purchase property.
- 7.0.6 The outlook for the pastoral sector remains positive, with short term volatility. There are however risks around Covid-19, climate, Carbon, Regional Council regulations, bank funding and high farm cost inflation which will impact on purchaser's decision making and ability.
- 7.0.7 Recently we have seen the Covid-19 virus impact on supply chains for a number of crop types and goods. New Zealand undertook a lock-down period in April 2020 to stop the spread of the virus within New Zealand. This was largely successful. Over this lockdown period there were limited property transaction undertaken. Post lockdown the market has shown good strength. This is due to a shortage of listings; the low interest rate environment and property being seen as a relatively secure investment. Internationally and domestically the virus continues to spread and lock-downs within a number of countries are being seen. This is creating some uncertainty within international markets. This uncertainty is yet to flow through to the property market within New Zealand.
- 7.0.8 Plantation forests cover an estimated 1.71 million hectares (about 7%) of New Zealand's land area. With an introduction of the Emissions Trading Scheme (ETS) there were a considerable number of pre 1990 forests cleared and converted to pasture. This deforestation activity needed to be completed prior to 1 January 2008 otherwise significant carbon liabilities would be attracted. Pastoral conversion was most popular on easy contoured land either in the Central North Island or Canterbury Plains where the highest and best use was as dairy milking platforms. Post the global financial crisis of 2008 and the associated drop in dairy farm prices, there has been nominal conversion of forestry land to pasture.

- 7.0.9 For forestry land, a two tier market became evident depending on whether the land was deemed pre 1990 forest or post 1989 forest. The pre 1990 forest land had to remain in forest land use, being either re-planted or allowed to regenerate, without attracting significant carbon liabilities. Land in this category does not sell as well as post 1989 forest land which is able to register and take part in the ETS, both receiving, redeeming and trading carbon credits. This gap is likely to grow if current strengthening in price trends for NZU credits continue.
- 7.0.10 At the time of writing the outlook for forestry land investment is positive. Over the last two years we have seen a buoyant domestic log trade with a balanced supply and demand profile, with more mixed export markets after a period of consolidated strength. The export log price suffered a large reduction from June to August 2019. This was caused by an oversupply of logs into China. Export log prices improved into the later part of 2019 as this demand and supply profile was corrected. The log prices within 2020 was also relatively volatile. The start of 2021 was strong with good international demand, along with stable and strong domestic prices. Recently we have seen a drop in export prices with reduced demand in China and high shipping costs eroding export returns.
- 7.0.11 The NZU carbon price has strengthened significantly over recent times, after 4 years at low levels. In 2015/16 the Government completed its review of the New Zealand Emissions Trading Scheme (NZ ETS) to assess how it should evolve to support New Zealand in meeting future emissions targets and its ongoing transition to a low emissions economy. The review followed announcements in July 2015 that New Zealand's post 2020 target is to reduce greenhouse gas emissions to 30 per cent below 2005 levels by 2030. This review has included a phase out of the one for two transitional measure which allowed non-forestry businesses to pay one emission unit for every two tonnes of carbon dioxide equivalent emissions. The Climate Change Response (Removal of Transitional Measure) Amendment Act 2016 will phase out the one-for-two transitional measure from 1 January 2017. This change saw a strengthening in NZU prices.
- 7.0.12 On 22 June 2020, the Climate Change Response (Emissions Trading Reform) Amendment Act 2020 was passed. The bill seeks to reduce greenhouse gas emissions by amending the Climate Change Response Act 2002 through changes to the Emissions Trading Scheme. As part of the Act the NZU fixed price limit was lifted to \$35 per unit. The Government also introduced a price floor from 2021. This is set at \$20 per NZU. From the end of 2020 the Government implemented a cost containment reserve and a move away from the fixed price ceiling. This cost containment reserve is set at \$50 per NZU, with Government to release a further supply of NZU's into the market if the carbon price gets to this level. The aim is to see net emissions peak at around 2020 levels and then begin falling from 2022. The above changes have seen a significant increase to carbon pricing, with NZU's now trading at well above the cost containment reserve of \$50.
- 7.0.13 Over the last three years we have seen stronger interest from forestry participants in the pastoral market. These purchasers are looking for Greenfield pastoral farms for development to forest. This interest is mainly for larger scale units that are within reasonable proximity to ports or processing facilities. This interest has had a positive impact on pastoral farm sales and value levels over recent times. It has also seen a number of cashed up buyers within the market.
- 7.0.14 Overall recent demand for Post 89 land has been strong, with this likely to be supported by current log prices. Pre 1990 forest land values have also reasonable strong, however there has been limited parcels offered without a tree component.

## 8.0 PROPERTY DETAILS

### 8.1 Legal Description

8.1.1 We refer to the attached Record(s) of Title ("Title(s)") at Appendix B contained within the Gisborne Land Registration District. To summarise:

Registered Owner	Description	Title Identifier	Area (ha)
Marie Pamela Cranswick	Section 48 Block IV Waikohu Survey District	GS117/62	0.3566 ha
Marie Pamela Cranswick, Andrew Bernard Cranswick and Richard Geoffrey Cranswick	Lot 1-2 Deposited Plan 8727, Part Lot 4 Deposited Plan 3085 and Ruangarehu J1 Block	GS6A/220	67.8431 ha
	Lot 4-6 Deposited Plan 8727 and Lot 3 and Part Lot 1 Deposited Plan 3085	GS6A/222	88.5021 ha
<b>Total Land Area</b>			<b>156.7018 ha</b>
<b>Proposed Lot 3</b>			<b>131.31 ha</b>

8.1.2 The following interests or registrations are deemed to be of relevance when considering the property from a valuation perspective. Any material impact of these interests have been taken into account in our valuation assessment.

Title Identifier GS117/62 is subject to the following interest(s):

- Subject to Section Coal & Mines Amendment Act 1950

Title Identifier GS6A/220 is subject to the following interest(s):

- Subject to a right (in gross) to lay a pipeline and to convey natural gas products over part marked B on DP 7191 in favour of Natural Gas Corporation of New Zealand Limited created by Deed of Easement PR GS5A/1443 (affects Lot 1 DP 8727). Not relevant to subject area.
- Subject to a right (in gross) to lay a pipeline and to convey natural gas products over part marked C on DP 7191 in favour of Natural Gas Corporation of New Zealand Limited created by Transfer 171787.1 (affects part Lot 4 DP 3085). Relates to part of the area contained within the proposed Lot 1.
- Subject to Section 241 Resource Management Act 1991
- Subject to Section 3 Petroleum Act 1937 (affects part)
- Subject to Section 8 Atomic Energy Act 1945 (affects part)
- Subject to Section 3 Geothermal Energy Act 1953 (affects part)
- Subject to Sections 6 and 8 Mining Act 1971(affects part)
- Subject to Section 5 and 261 Coal Mines Act 1979 (affects part)
- Subject to Section 27B State-Owned Enterprises Act 1986 (which provides for the resumption of land on the recommendation of the Waitangi Tribunal and which does not provide for third parties, such as the owner of the land, to be heard in relation to the making of any such recommendation) (affects part)
- Subject to Part IV A Conservation Act 1987 (affects part)
- 230781.1 Forestry Right pursuant to the Forestry Rights Registration Act 1983 to Marie Pamela Cranswick term 30 years from and inclusive of 1.8.2000. We note these are to transfer to the land owner and are to be removed from the Title.

- 6184387.1 Gazette Notice (2004 p. 1452) declaring State Highway No.2 to be a limited access road.
- 11615273.3 Mortgage to Alpha First Securities Limited
- 11994306.1 Variation of Mortgage 11615273.3

Title Identifier GS6A/222 is subject to the following interest(s):

- Subject to a right (in gross) to lay a pipeline and convey natural gas products over parts marked D and E on DP 7191 in favour of Natural Gas Corporation of New Zealand Limited created by Grant of Easement embodied in the register GSPR5A/1443 (affects Lot 4 DP 8727)
- Subject to Section 241 Resource Management Act 1991
- Subject to Section 3 Petroleum Act 1937 (affects part)
- Subject to Section 8 Atomic Energy Act 1945 (affects part)
- Subject to Section 3 Geothermal Energy Act 1953 (affects part)
- Subject to Sections 6 and 8 Mining Act 1971 (affects part)
- Subject to Sections 5 and 261 Coal Mines Act 1979 (affects part)
- Subject to Section 27B State-Owned Enterprises Act 1986 (which provides for the resumption of land on the recommendation of the Waitangi Tribunal and which does not provide for third parties, such as the owner of the land, to be heard in relation to the making of any such recommendation) (affects part)
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- 6184387.1 Gazette Notice (2004 p. 1452) declaring State Highway No.2 to be a limited access road.
- 11615273.3 Mortgage to Alpha First Securities Limited
- 11994306.1 Variation of Mortgage 11615273.3

## 8.2 Forestry Right and Deed of Lease

- 8.2.1 It is proposed that a Forestry Right is to be registered on the Title. A Deed of Lease will be connected to this forestry right. We have been provided with the Draft agreements which are summarised and commented on below. We note the full agreements should be read in conjunction with the summary below for full terms and conditions.

### Forestry Right

<i>Landowner</i>	Awatea Forest Fund Trustees Ltd
<i>Forest Owner</i>	Awatea Forest Fund Trustees Ltd
<i>Term</i>	99 years
<i>Commencement Date</i>	1 April 2022
<i>Rights Granted:</i>	For the Forest Owner to plant, re-establish, protect, manage, maintain, harvest, store, carry away, sell and otherwise utilise all trees growing in the Forest.

<i>Obligations of Forest Owner:</i>	The Forest Owner will comply with good silvicultural and forestry practice in the establishment, maintenance and harvesting of trees in the Forest and all operations which are incidental to that. Not, without the prior written consent of the Landowner, assign, lease or otherwise dispose of any of its rights and obligations under this Forestry Right.
<i>Obligations of the Landowner:</i>	The Landowner will allow the Forest Owner to remove trees, timber or logs harvested pursuant to this Forestry Right including transport across the Land along the permitted access ways and roads.
<i>Mutual Obligations:</i>	The Landowner and Forest Owner covenant that if prior to or upon completion of the term of this Forestry Right there is any requirement by any authority to plant or replant trees on the Forest or there is a liability for any charge or tax imposed for not replanting trees that the Forest Owner has removed, then it will be the responsibility of the Forest Owner at its own cost entirely to carry out and complete any such planting or replanting or to pay any such charge or tax so as to comply with the requirements of the authority.
<i>Emissions Trading Scheme:</i>	The Landowner may register the Forest under the Emissions Trading Scheme or Related Scheme so as to accrue and incur all benefits, liabilities and obligations under such Scheme or Schemes.

## **Deed of Lease**

<i>Forest Owner</i>	Awatea Forest Fund Trustees Ltd
<i>Lessee</i>	Forest Management (NZ) Ltd
<i>Term</i>	Undefined
<i>Commencement Date</i>	Undefined
<i>Lease and Term:</i>	In consideration of the Lease Payment, the Forest Owner leases the Forestry Right to the Lessee (including the right to occupy and use the Forest Land and to exercise the rights and remedies under the Forestry Right, pursuant to and in accordance with the terms of the Forestry Right) and the Lessee takes the Forestry Right on Lease for the Term beginning on the Commencement Date and ending on the Termination Date.
<i>Lease Payment:</i>	The Lease Payment will be calculated using the following formula (with all figures inclusive of Goods and Services Tax): Lease Payment = (Gross Sale Revenue x 0.9575) – Production Costs.
<i>Outgoings</i>	All Outgoings (excluding the Production Costs) payable under this Lease or the Forestry Right are payable by the Forest Owner



<i>Obligations in relation to Fund:</i>	The parties agree that the Forest Owner or RDNZ (acting in its capacity as manager of the Fund) may, at any time and from time to time, give directions to the Lessee where and to the extent that the relevant person considers it necessary or desirable in order to comply with (or ensure compliance with) all relevant laws with respect to the Fund and / or the governing document for the Fund (including applicable duties), monitor the Lessee's performance of its obligations under this Lease, ensure compliance with this Lease, or otherwise protect the value of the Forest Land, the Forest Products, or the Forestry Right. Such directions may require the Lessee to act in a certain manner, cease acting in a certain manner, or vary any decision of the Lessee in respect of this Lease, the Forest Land, the Forest Products, or the Forestry Right.
<i>Forest Owner's Obligations:</i>	If the Forest Owner cannot practically perform any obligation of the Landowner under the Forestry Right for the purposes of this Lease, then the Forest Owner's corresponding obligation under this Lease will be interpreted only as an obligation to take all reasonable steps to require the Landowner to carry out the Landowner's relevant obligation under the Forestry Right.
<i>Consents:</i>	Where under this Lease the Forest Owner's consent is required for anything done or proposed to be done by the Lessee, then the Landowner's prior consent will also be required.
<i>Lease Not Registrable:</i>	The Forest Owner does not warrant that this Lease is in registrable form. The Lessee must not require registration of this Lease against the Forestry Right or the title to the Forest Land.
<i>No Assignment:</i>	No Party shall assign or purport to assign (whether in part or in whole) their interest in this Lease. For the avoidance of doubt, the prohibition on assignment in clause 15.1 shall also include any change in the legal or beneficial ownership of a party's shares or the shares of its shareholder that results in a change of effective management or control of the company.

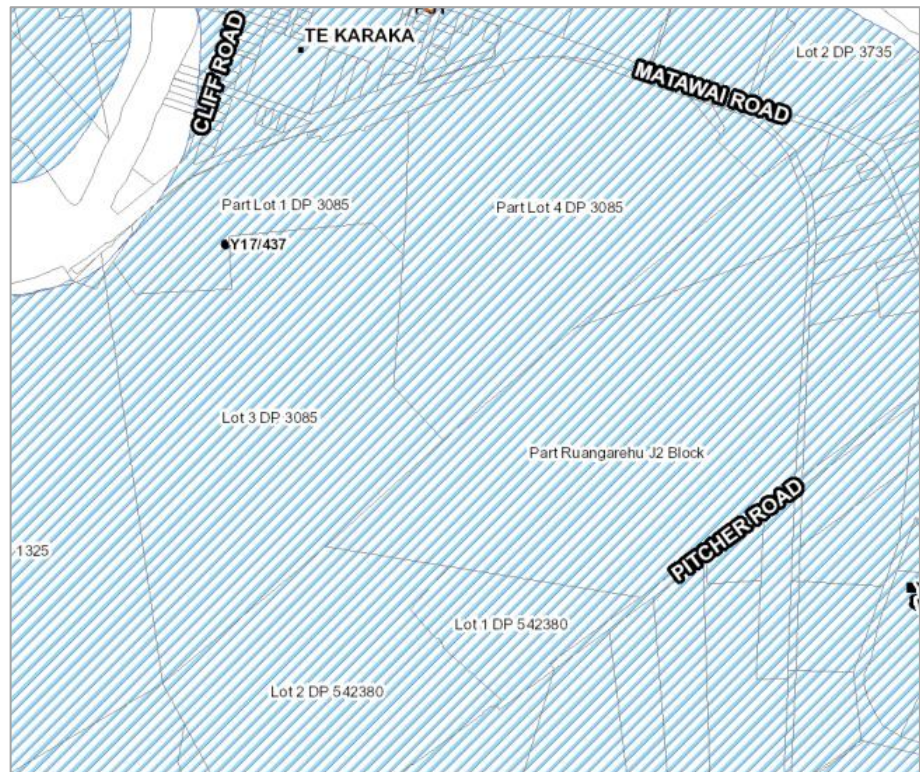
- 8.2.2 The Forestry Right that is to be registered on the subject Title relates to the existing and proposed forestry plantings to be completed on the land. From a land value perspective any additional registrations on the Title would be considered by any purchaser and could impact on value levels. The Forestry Right is to state that the Forest Owner under the Forestry right will 'not, without the prior written consent of the Landowner, assign, lease or otherwise dispose of any of its rights under this Forestry Right.' Given the trees on the land are and will likely be entered into the Emissions Trading Scheme or Related Schemes, there may be deforestation liabilities associated with the land upon harvest. It is therefore essential that the Landowner and Forest Owner remain the same entity as currently proposed, and that the Forestry Right is never sold,

leased or transferred separately from the Landowning entity. This is the basis on which the valuation has been assessed.

- 8.2.3 A separate Deed of Lease document has been drafted between the Forest Owner and a Lessee in terms of the lease of the Forest. The lease payment under the lease is to be similar to a harvest payment, with this being paid to the Forest Owner. The Forest Owner will therefore benefit from any income from the harvest of the trees. This may not be an issue if the Land and Forestry Right are held by the same entities, however this would have a value impact if these ever became unrelated parties.
- 8.2.4 The lease (to a third party) also adds another layer of complexity which reduces the flexibility of the Forest Owner and ultimately the Landowner (on the prior basis that the Landowner and Forest Owner are to always be the same entity) on the silviculture, harvest and log marketing options. This would likely reduce the buyer pool for the subject land with this agreement in place.
- 8.2.5 The valuation is based on the Landowner and Forest Owner under the Forestry Right being held within common ownership, and there being no carbon liabilities created by this Forestry Right which impact on the market value of the land. The valuation is also based on the assumption that if the land and trees are sold, that the Deed of Lease associated with the Forestry Right be terminated and the Forest Right de-registered.

### **8.3 Resource Management**

- 8.3.1 The property is located within the Rural General zone under the Tairāwhiti Resource Management Plan.
- 8.3.2 The Rural General (Rural G) zone covers the rest of the district not covered by other zones. It is suitable for a number of activities, with low population densities and little pressure for development. It is proposed to be as flexible as possible within this zone provided the effects of activities can be avoided and mitigated.
- 8.3.3 Farming is a permitted activity within this zone. The planting of vegetation is a permitted activity within this zone. Sediment discharges to receiving waters (including coastal waters) associated with a plantation forestry activity are regulated under the Resource Management (National Environmental Standards for Plantation Forestry).
- 8.3.4 The property is contained within the Heritage Alert Overlay. This means that heritage matters may be considered in Resource Consents for discretionary and non-complying activities or for any part of any activity or use that requires land disturbance and is located or undertaken in the heritage alert layer. This area is shown below.



- 8.3.5 Also shown in the above map is an identified Archaeological site (Y17/437). This is identified as pit(s)/terrace(s) (or house site(s)). An area has been removed from the PPA for this classification.
- 8.3.6 Chapter 7 of the Regional Management Plan relates to soil conservation and breaks down the region into three land overlay classification. These are as per below.
- 8.3.7 There are three land overlays:
- a) Land Overlay 1 – comprises LUC Classification Unit Classes I-V and VIe1, 2, 3, 5, 7 and 8 inclusive. This land overlay recognises the district’s flat land and easy hill country. Land Overlay 1 excludes the beds of lakes and rivers. (Overlay 1 = yellow)
  - b) Land Overlay 2 – comprises the balance of LUC Classification Units in Class VI. This land overlay describes hill country land which is moderately limited in terms of its capability for sustainable use. Land Overlay 2 excludes the beds of lakes and rivers. (Overlay 2 = blue)
  - c) Land Overlay 3 – comprises land in LUC Classification Unit Classes VII and VIII. Options for sustainable land use in these classes of land are severely limited. It is the most susceptible to erosion, sediment generation and soil loss. Land Overlay 3 excludes the beds of lakes and rivers. Land Overlay 3 includes LO3A. (Overlay 3 = bright orange)
  - d) LO3A – is a subset of Land Overlay 3 and is the worst eroding land in the district. It consists of land identified on the Tairawhiti Plan Maps as “LO3A”. All Land 3A meets the text descriptions of Land Use Capability Units (1st edition NZLR1) VII3e12-16, 18 and 20, VIIe 1-6; (2nd edition NZLRI) VIIe18-19, VIIe21-25, and VIIe2-9. However, as LO3A land is

mapped at a more detailed scale and the beds of lakes and rivers and coastal cliffs have been excluded, it does not correspond to the full geographic extent of such Units as mapped in the NZLRI. LO3A is also eligible for treatment as Target Land under the ECFP. (LO3A - dull orange)

8.3.8 The property is contained in a mix of Land Overlay 1, 2, and 3 as shown below.

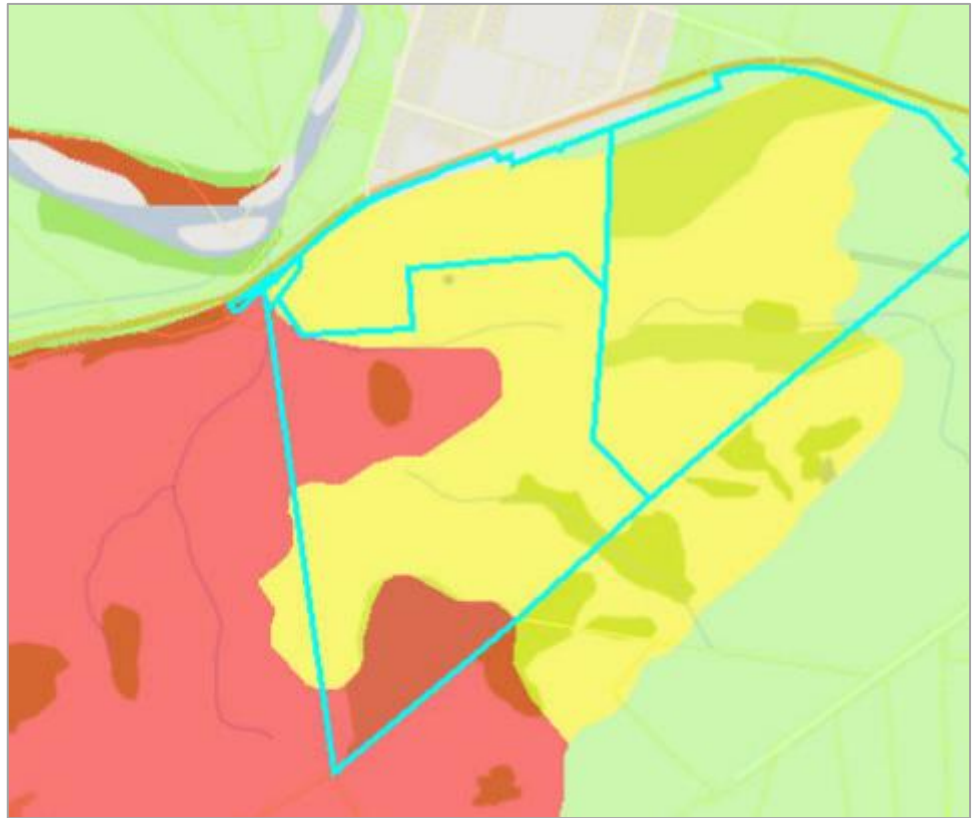


## National Policy

- 8.3.9 A National Environment Standard for Plantation Forestry (NES-PF) became effective on 1 May 2018. The Standard changes how plantation forestry activities are managed under the Resource Management Act 1991. The NES-PF replaces council's existing district and regional plan rules for managing plantation forestry. Objectives of the NES-PF are to maintain or improve the environmental outcomes associated with plantation forestry activities and increase the efficiency and certainty of managing plantation forestry activities. It provides a nationally consistent approach that is responsive to local environments.
- 8.3.10 Three tools are available to Councils and foresters to help determine when consents will be needed for forestry activities. These tools identify the risk of wilding conifer spread, erosion and disturbance to waterways where fish are spawning.
- 8.3.11 One of these tools is the Erosion Susceptibility Classification. This divides New Zealand into four categories. Land areas coloured green (low) and yellow (Moderate) have lower erosion risk and so forestry activities are permitted. Permitted activities are subject to conditions under the regulations that are based on industry good practice standards. Where there is a high or very high risk of erosion (areas mapped in orange and red), stricter requirements apply and some forestry activities cannot be carried out without resource consent.



8.3.12 The Erosion map for the subject land taken from the MPI website is shown below.



8.3.13 As seen the property has mixed risk of erosion ranging from low to high risk. The most prone areas are shown in red above and are situated on the steeper hill country.

8.3.14 The NES-PF places restrictions on afforestation that could result in high risk of wilding spread. Wilding spread risk is low on this site due to the planted species (Radiata Pine) and the intensively grazed land surrounding the subject.

8.3.15 The NES-PF requires certain planting setbacks as conditions of permitted activity. The conditions relevant to afforestation on the subject are:

- 10m off the boundary of an adjoining property (unless that adjoining property is also plantation forest)
- 5m off streams <3m wide and wetlands <0.25ha
- 10m off streams 3m+ wide and wetlands 0.25ha+
- Afforestation must not occur where a plantation forest tree, when fully grown, could shade a paved public road between 10am and 2pm on the shortest day of the year, except where the topography already causes shading.

8.3.16 Central Government on the 28 May 2020 released further proposed directives under the 'Action for Healthy Waterways' via a currently being drafted National Environment Standards for Fresh Water 2020 (Freshwater NES) and a new National Policy Statement for Freshwater Management 2020 (NPSFM 2020) which regional councils are required to follow to meet the directives of the Freshwater NES. Regional Councils therefore need to review and change their regional plans to meet the NES and NPS directives by 31 December 2024.

- 8.3.17 The NPS-FM 2020 came into force on 3 September 2020.
- 8.3.18 Under section 360 of the RMA, the Government is setting new stock exclusion requirements. Councils may choose to adopt more stringent requirements in their regional plans than these national requirements.
- 8.3.19 Through an amendment to the RMA, the Government will make it mandatory to have a freshwater module in a farm plan.
- 8.3.20 The below table provides an outline of the proposed changes and the timeframe for implementation (Source; MPI - Action for Healthy Waterways – Information for regional councils).

	2020–21	2021–22	2022–23	2023	2024	2025> 2026> beyond
<b>NPS-FM regional council freshwater planning</b>	<p>The National Policy Statement for Freshwater Management (NPS-FM) requires regional councils to engage with communities and tangata whenua to determine local understandings of Te Mana o Te Wai as applied to fresh waterbodies in the region. This will form the basis for a long-term vision in their regional policy statements that gives expression to Te Mana o Te Wai. Councils will review their plans and ensure they give effect to the new NPS-FM, including new requirements for the National Objectives Framework and in relation to wetlands, fish passage and stream reclamation.</p> <p>By 31 December 2024, councils notify new or amended regional plans that implement the new NPS-FM. These will be progressed using the new freshwater planning process.</p> <p>Natural inland wetlands &gt; 0.05 ha, and any others that are naturally smaller or are known to contain threatened species, must be mapped within 10 years of the NPS-FM coming into force.</p>					<p>By 2026 regional plans are in place, including the rules needed to work towards long-term objectives for ecosystem health and other community values.</p> <p>Continue to work with and enable tangata whenua to implement the NPS-FM in relation to Māori values for their local context.</p>
<b>Managing synthetic nitrogen fertiliser use</b>	<p>Work with central government to inform farmers of their new obligations for synthetic fertiliser use.</p> <p>By 1 July 2021 consent is required for synthetic nitrogen fertiliser use of more than 190 kg N/ha/year.</p>	<p>Have systems in place to store records of synthetic nitrogen fertiliser use supplied by farmers.</p>	<p>31 July 2022 – deadline for farmers to report synthetic fertiliser use for the year to regional councils.</p> <p>Record synthetic nitrogen fertiliser use information supplied by farmers.</p> <p>Ongoing monitoring and compliance for synthetic fertiliser nitrogen use.</p>	<p>Record synthetic nitrogen fertiliser use information supplied by farmers.</p> <p>Ongoing monitoring and compliance for synthetic nitrogen fertiliser use.</p> <p>Government will review the synthetic fertiliser nitrogen cap.</p>	<p>Requirements will depend on the outcome of the 2023 review.</p>	<p>In future, synthetic nitrogen fertiliser use may be part of freshwater modules in farm plans.</p>
<b>Excluding stock from lakes and rivers wider than 1m bank-to-bank and their margins. Requiring a dedicated culvert or bridge for places where dairy and beef cattle and pigs cross</b>				<p>By 1 July 2023: all dairy cattle (except dairy support cattle) and pigs must be excluded regardless of land slope, and all cattle and deer must be excluded from lakes and rivers, on land used for fodder-cropping, break-</p>		<p>By 1 July 2025, all beef cattle and deer must be excluded when the land is less than or equal to 10 degrees.</p> <p>By 1 July 2025, all dairy support cattle must be excluded regardless of land slope.</p>

	2020–21	2021–22	2022–23	2023	2024	2025> 2026> beyond
these waterbodies more than twice per month.				feeding, or grazing, and on irrigated pasture regardless of land slope (note extra restrictions apply during winter – see below).		
Excluding stock from wetlands and their margins				By 1 July 2023, all cattle, deer and pigs must be excluded from wetlands identified in a regional or district plan when the regulations are gazetted.		By 1 July 2025, all cattle, deer and pigs must be excluded from wetlands identified in a regional plan that gives effect to the new NPS-FM.
Interim restrictions on major agricultural intensification	From when the NES freshwater comes into force, resource consent are required for: <ul style="list-style-type: none"><li>land-use change of more than 10 hectares (total since date of gazettal) from any form of farming to dairy farming</li><li>land-use change of more than 10 hectares (total since date of gazettal) from woody vegetation or forestry to any form of pastoral farming</li><li>increases in irrigated pasture for dairy farming above 10 hectares (total since date of gazettal)</li><li>increases in area in winter forage cropping above the annual highest amount in 2014/15–2018/19</li><li>increases in dairy support activities above the highest annual amount in 2014/15–2018/19.</li></ul>				National restrictions removed on 31 December 2024 at the latest. Regional councils must have notified regional plans that give effect to the new NPS-FM by this date.	National restrictions on major agricultural intensification end.
Winter grazing management (note these requirements apply in winter and are more stringent than the stock exclusion requirements in the section 360 regulation)		From 1 May 2021, resource consents are required for intensive winter grazing that does not meet the permitted activity standards related to separation from rivers and contaminant losses. Resource consents required if plant more than 50 hectares or 10% of farm in forage crop or slope more than 10 degrees.				
Stock-holding areas (e.g., feed pads, winter pads, standoff pads, loafing pads)		From winter 2021, resource consents are required for stock-holding areas that do not comply with permitted activity standards related to contaminant losses.				
Feedlots	From when the NES freshwater comes into force, resource consents are required for feedlots that do not comply with permitted activity standards related to contaminant losses.					
Measure and report consented water take over 5 litres per second	Ensure council records can accommodate daily electronic records of water permit information that will be required two years after the regulations		Water permit holders must provide councils with electronic records of water takes more than 20 litres per second.		Water permit holders must provide councils with electronic records of water takes between 10 and 20 litres per second.	By 2026, water permit holders must provide councils with electronic records of water takes between 5–10 litres per second.



	2020–21	2021–22	2022–23	2023	2024	2025> 2026> beyond
	come into force.					

8.3.21 The Resource Management Act 1991 is to be replaced with three proposed Acts being The Strategic Planning Act (SPA), The Natural and Built Environments Act (NBA) and the Climate Adaption Act (CAA). These Acts are currently in the draft stage with the intention of becoming passed into law by 2022. The NBA will provide to set environmental limits that are set nationally.

#### **8.4 Resource Consents (Water and Discharge)**

8.4.1 There are no Resource Consents pertaining to this property.

#### **8.5 Rating Valuation**

8.5.1 These have not been separately assessed for the proposed parcel.

#### **8.6 Rates**

8.6.1 These have not been separately assessed for the proposed parcel.

### **9.0 LOCATION & CLIMATE**

#### **9.1 Locality**

9.1.1 The property is accessed off State Highway 2 (Matawai Road) just before the township of Te Karaka. Surrounding properties are utilised for pastoral, cropping, lifestyle and residential activities.

9.1.2 Distances to services are as follows:

Service/Amenity	Location	Approx Distance
Power and telephone are connected.		
Main Centre	Gisborne	29.4 kms
Port	Gisborne	30.2 kms



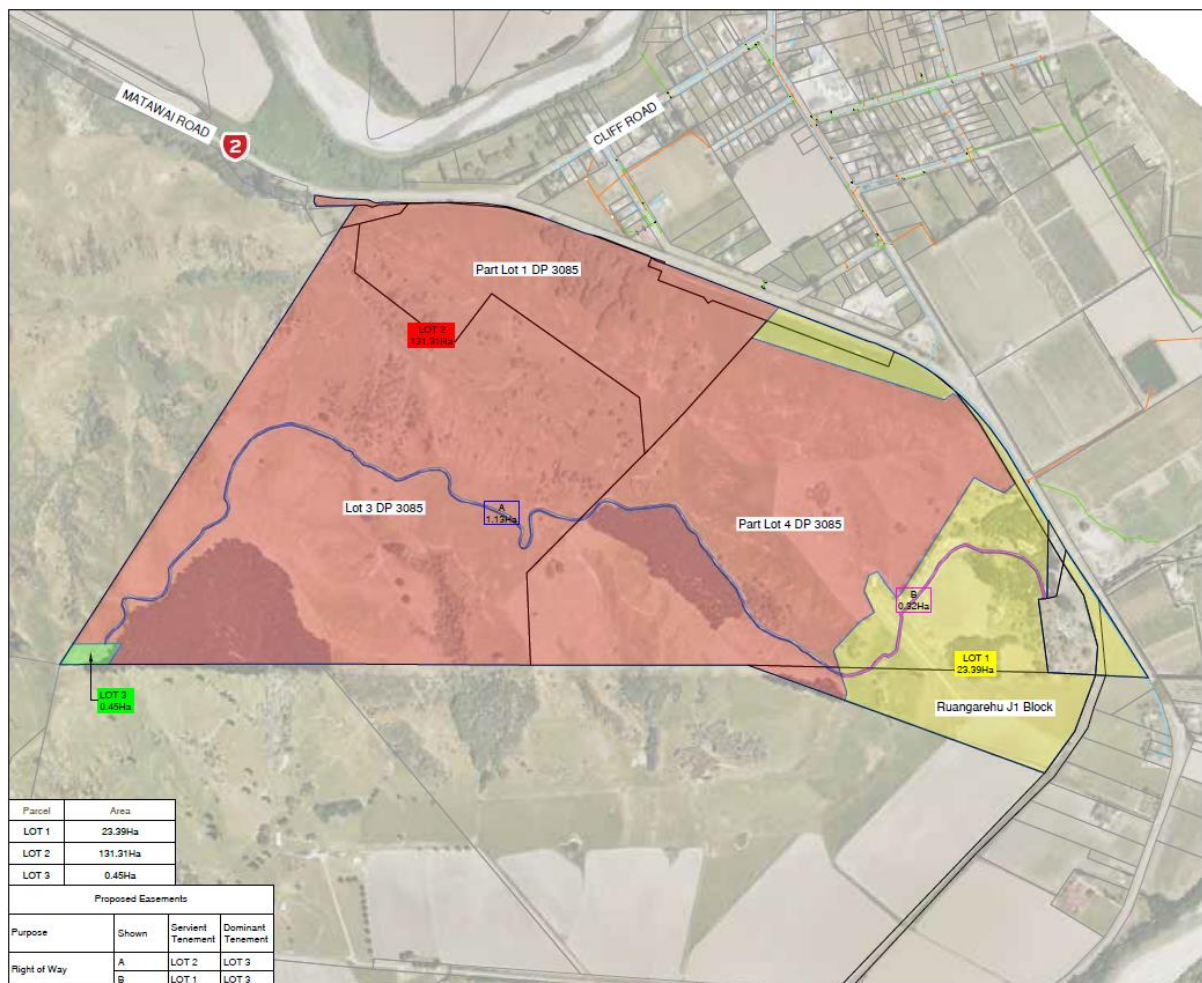
## 9.2 Climate

- 9.2.1 The Te Karaka district experiences moderate Gisborne climate with normally hot dry summers and mild winters.

Rainfall Average	1112mm per annum (average)
Main Rainfall Months	Main rainfall months being May to August. Generally reliable autumn-spring rainfall but prone to summer dryness.
Temperature Range	-3° to 38°C
Hazardous Conditions	Minimal
Frost Factor	Low unseasonal frost factor
Prevailing Winds	Westerly quarter

## 10.0 LAND

- 10.0.1 The subject property is in the process of being subdivided from a larger 156.7018 hectare parcel. The proposed 131.31 hectare Title is shown below as Lot 2.



10.0.2 The property has historically been utilised as a pastoral grazing and forestry unit with the main features pertaining to the land summarised as follows:

## 10.2 Shape & Workability

- 10.2.1 The property has an overall irregular shape bounding Matawai Road on its northern boundary. Land comprises medium to steep contour with easier tops and valley floors.
- 10.2.2 Access from Matawai Road is provided via a formed vehicle crossing over a culvert near the centre of the northern boundary. This access is awaiting approval from NZTA. As stated in the Sale and Purchase Agreement, should this access not be granted, the vendor undertakes to provide an alternative formed and NZTA approved access way on to Matawai Road.
- 10.2.3 Access from Matawai Road is currently over Lot 8 DP 3085 which is jointly owned by the Proposed Lot 1 and Lot 5 DP 3085. Access onto the subject is currently provided over a formed track which runs through Proposed Lot 1. The proposed subdivision creates no legal Right of Way allowing the subject continued use of this access.
- 10.2.4 As part of the Sale and Purchase Agreement, the vendors have granted Proposed Lot 2 the right to use the access way shown as 'B' on the above Subdivision Plan. The use of this access has been granted for the purpose of harvesting the 11.5 hectares of Pinus Radiata on the property only.



- 10.2.5 If the current vendors still own Proposed Lot 1 when newly planted trees on Proposed Lot 2 are harvested in circa 27 years' time, the vendors agree to provide access for harvesting such trees over the access way shown as 'B' on the above Subdivision Plan.
- 10.2.6 The owner of Proposed Lot 2 must reinstate the access way to its original form at the completing of harvest, at the owners cost.
- 10.2.7 The property has a greenfields plantable area of 98.58 hectares with a further 12.11 hectares which is contained in existing Radiata Pine. There is approximately 21.33 hectares which is unplantable due to scrub areas and setbacks from roads, boundaries and powerlines. Of the 110.69 hectares which is deemed plantable, approximately 18% is estimated as suitable for ground based harvest. This would need to be confirmed with a harvest plan.
- 10.2.8 The plantable area excludes a small area around an identified archaeological site.
- 10.2.9 The plantable area map provided is shown below.



- 10.2.10 We have made no cadastral survey of the property and unless otherwise stated assume that all improvements lie within the Record(s) of Title boundaries. No guarantee is given that the land is not subject to statutory rights not recorded on the relevant Record(s) of Title and not apparent from normal inspection of the property. We assume no responsibility in connection with such foregoing matters.

### 10.3 Land Use Classification

Unit	Description	Derived from	Erosion		Gradient Range	Approx. Area (ha)
			Present	Potential*		
IIw1	Wide, low lying terraces with a high water table.	Recent alluvium	Nil	Slight streambank erosion	Predominantly 0 - 3° with pockets of 4 - 7°	0.07
IIIs2	Undulating terrace slopes with low fertility ash soils.	Hawera and undifferentiated terraces.	Nil	Nil. Nil to slight rill when cultivated.	4 - 7°	0.79
IIIw3	Flat to undulating narrow flood plains and low terraces in river valleys, subject to run off from surrounding hills	Fine alluvium, occasionally over Alluvial gravels	Negligible to moderate streambank, negligible to slight deposition	Moderate streambank and deposition, slight gully	0 - 3°, 0 - 7°	1.74
VIe10	Moderately steep to steep sandstone hill.	Sandstone	Slight soil slip	Moderate soil slip	Predominantly 21 - 25° with pockets of 26 - 35°	105.78
VIIe1	Steep to moderately steep hills of close-jointed mudstones.	Close-jointed mudstone	Moderate soil slip. Moderate gully. Moderate earthflow. Slight slump.	Severe soil slip. Severe gully. Severe earthflow. Moderate slump.	Predominantly 26 - 35° with pockets of 21 - 25°	22.93
<b>Total</b>						<b>131.31</b>
* Assessed as under actual or assumed grassland cover with average management and no soil conservation measures applied.						

### 10.4 Aspect

10.4.1 The property contains an all-round aspect.

### 10.5 Archaeological

10.5.1 Archaeological sites are present throughout the area and are not always officially recorded. Under the Heritage New Zealand Pouhere Taonga Act 2014 consent must be obtained to damage, destroy or modify archaeological sites. The Act defines an archaeological site as a place associated with pre 1900 human activity and includes buildings in this era. Unless otherwise stated elsewhere in our report, our valuation has been assessed on the basis that there are no archaeological sites on the land.

10.5.2 We note there is one archaeological site contained on the land as previously discussed. A further archaeological site may be contained on the land as identified by PF Olsen; however this is not mapped on the District Plans. This is shown on the previous map provided by FMNZ.

### 10.6 Altitude

10.6.1 The altitude ranges from 46 to 280 metres above sea level.

### 10.7 Erosion

10.7.1 There is no evidence of erosion of any major significance to the property.

## **10.8 Drainage**

- 10.8.1 The subject property due to its contour and soils has a generally free draining nature which does not restrict or impede utilisation during periods of wetness.
- 10.8.2 The north western corner of the property appears prone to wetness.

## **10.9 Flooding**

- 10.9.1 The property is not deemed to have a flooding risk.

## **10.10 Weeds and Pests**

- 10.10.1 The property is relatively free of weeds with no weeds being of any economic significance. Pests are controlled by the Gisborne District Council.

## **10.11 Subdivision**

- 10.11.1 The property is subdivided into a number of paddocks which range in size and is fenced to boundaries.
- 10.11.2 Construction comprises conventional timber post and 7-8 wire fences. The majority of the fences on the property have 1-2 electric wires, yet a solar panel is required to power these fences.

## **10.12 Environmental Issues**

- 10.12.1 There is no disclosed or recorded site contamination or environmental issues relating to the subject land.
- 10.12.2 The Local Authorities are not currently releasing contaminated site information to the public. As at date of inspection, we were not made aware of any potential hazards which may influence the value of the property, such as an in-ground fuel tank and open rubbish dumps.
- 10.12.3 Historically pastoral properties used fertiliser with traces of DDT. As a result DDT is common in soils. Also traditional sheep dips used chemicals that have left residues around dips and drainage pens.
- 10.12.4 While due care has been taken to note any contamination liability, our investigations have been undertaken for valuation purposes only, and this report does not constitute an environmental audit. Unless otherwise stated no account has been taken of the effect on value due to contamination or pollution.

## **11.0 UTILISATION**

- 11.0.1 As at date of inspection the property was utilised as a pastoral grazing unit being run as part of a larger 158.0016 hectare Title.
- 11.0.2 The property was utilised for sheep and beef breeding and finishing with the addition of two areas of mature Pinus Radiata comprising 12.11 hectares.



11.0.3 The property was recently offered to the market, with the highest interest being from forestry purchasers. The highest and best use of the land is therefore deemed to be forestry.

11.0.4 We have classified the site characteristics as follows:

Site Characteristics	Comment	Risk Impact on Growth
Aspect	Mixed	Low/Medium
Soils	Some soils prone to erosion	Medium
Exposure to winds	Exposed to prevailing westerly winds	Medium
Climate	Temperate	Low
Contour	Mixed	Medium
Altitude	Low	Low

11.0.5 Based on the forecaster model the site index for the subject land ranges from 29.9 to 35.6, with the 300 Index ranging from 25.8 to 36. The average Site Index for the Gisborne region is 33.2, with the average 300 Index being 32.2. The subject property would be considered average to above average which should result in good growth levels.

## 11.1 Cover

11.1.1 At date of inspection the cover of the property was estimated to be as follows:

Cover Description	Approx Area (ha)
Contained in permanent pasture (plantable)	98.58 ha
Forestry Plantings	12.11 ha
Canopy scrub and non-effective areas.	20.42 ha
Utilised by tracks, building areas, dams and other non-productive areas.	0.2 ha
<b>Title Area</b>	<b>131.31 ha</b>

## 11.2 Forestry

11.2.1 There are two Pinus Radiata lots contained on the property. The first is 27 years of age, located near the centre of the parcel and is approximately 3.5 hectares in size. The second block is 24 years of age, located at the top of the property on the southernmost corner and is approximately 8 hectares in size.

11.2.2 Logan Stone are not expert forestry valuers. We have adopted the following approach in regard to the plantations on the property;

11.2.3 We have not included any added value for the plantation trees on the property but we have assessed the land under them. It is our recommendation any users of this report engage a specialist forestry valuer's opinion of the market value of the trees if any.

## 12.0 EMISSION TRADING SCHEME

12.0.1 In undertaking the valuation of the property we have also had to consider whether there were trees contained on the property, either pre 1990 or post 1989, which could be



subject to the Emission Trading Scheme (ETS) legislation and the implications that this may pass to the land owner or subsequent land owners. In undertaking this consideration parties must be aware that trees cover a number of species and are not limited to just woodlots that are grown commercially for the extraction of timber but can also include scrub if it was pre 1990 existing, or Willows, Poplars or other tree species that could be found within farms and throughout properties generally.

- 12.0.2 The key determining factor in the implication of ETS and the impact on property is the date of the 31 December 1989 and whether the trees or cover were in existence pre that date or post that date which gives rise to the post 1989 and pre 1990 classifications discussed around the scheme. Once this demarcation has been identified there are a number of questions that need to be determined and responded to as to whether the tree plantings do comply or are outside of the ETS which would then flow onto whether there is the ability to claim credits and whether there are liabilities around registering and claiming those credits. Each property therefore then needs to consider the implications from this point as to whether credits are applicable and whether property owners have registered and retained these credits or have on-sold them and what is the flow-on liability to the property as a result of this.
- 12.0.3 If the plantation forest is entered under an averaging model there is no liabilities upon harvest, however the land must be replanted into forest and must remain as forest into the future. The land value therefore reduces to base forest values once the average carbon has been extracted (estimated 17-18 years) under an averaging model.
- 12.0.4 Trees entered as permanent forests under the ETS cannot be felled for at least 50 years without penalties. Limited harvesting under this model will be allowed without penalty if at least 30% tree crown cover remains in each hectare of forest. After 50 years forest owners can either continue within the scheme for a further 25 years, transition to averaging (would need to surrender credits) or remove the forest from the ETS by surrendering all credits. Under the last two options there will be penalties to be paid. We would expect the land value to be small if any under this model in 50 years' time.
- 12.0.5 Our valuation is made on the following basis in relation to ETS obligations based on information supplied:
- There is no pre-1990 forest land contained on the property. We understand that there was an area of trees contained on the land planted before 1990. These appear to have been harvested before 31 December 2007, and therefore do not classify as pre-1990 land. We recommend this is confirmed by an ETS specialist.
  - The property is not registered as a participant under the Climate Change Response Act 2002.
- 12.0.6 If, on the provision of further information, confirming areas, status or liabilities are different from our above assessments, Logan Stone reserves the right to alter the valuation assessment accordingly.

## **13.0 BUILDING IMPROVEMENTS**

- 13.0.1 There are no building improvements contained on the property.

## 14.0 OTHER IMPROVEMENTS

### 14.1 Electrical Reticulation

- 14.1.1 Electricity is reticulated along the western boundary of the property. These areas have been excluded from the PPA.

### 14.2 Water Supply

- 14.2.1 All water for the property is via natural springs and dams.
- 14.2.2 We have not carried out water quality or quantity tests on the property's water supply. Our valuation has therefore been assessed on the basis that the existing water supply is both reliable and of sufficient quantity and quality for the present use. Should this prove to be incorrect we reserve the right to re-assess our valuation.

### 14.3 Access

- 14.3.1 Internal access consists of an all-weather track through the property, to the cell towers at the top of the farm, and various ATV tracks. There is presently no right of way for the access to the cell tower, however we understand that one is to be registered. The valuation is undertaken on this basis.

### 14.4 Stock Yards

#### Cattle Yards

- 14.4.1 An older set of cattle pens are located near the centre of the property.

### 14.5 Shelter

- 14.5.1 Shelter is provided by scattered plantings and the natural contour of the land.

## 15.0 MARKET VALUATION

- 15.0.1 After examining all factors and subject to the overriding conditions we conclude the "As If Complete/As Proposed" market value of the property as at 17 January 2022 is:

**ONE MILLION, SIX HUNDRED AND NINETY THOUSAND  
DOLLARS  
(\$1,690,000)**

Apportioned as follows:

Value of Improvements		
– Other Improvements	\$44,000	\$44,000
Land Value		\$1,646,000
Market Value – Land & Buildings		\$1,690,000

*The above valuation assessment is **plus** Goods and Services Tax (if any).*

## **APPENDICES**



Statement of General Valuation Policies

**STATEMENT OF GENERAL VALUATION POLICIES**

1. Our responsibility in connection with this valuation report is limited to the person to whom the report is addressed and we disclaim all responsibility to any other party without reference to us.
2. This report may not be reproduced, in whole or in part, without our prior written approval.
3. This report has been prepared for the purpose stated in the report and may be relied upon for that purpose only. Assumptions made in the preparation of the report are as expressly stated in the report or set out below.
4. Where it is stated in the report that information has been supplied to us by another party, this information is believed to be reliable but we cannot accept responsibility if this should prove not to be so. Where information is given without being attributed directly to another party, this information has been obtained by our search of records and examination of documents or by enquiry from Government or other appropriate departments.
5. We have made no survey of the property and unless otherwise stated assume that all improvements lie within the Record of Title boundaries. No guarantee is given that the land is not subject to statutory rights not recorded on the relevant Record of Title and not apparent from normal inspection of the property. We assume no responsibility in connection with such foregoing matters.
6. We do not carry out investigations on site in order to determine the suitability of ground conditions and services, nor do we undertake environmental or geotechnical surveys. Unless notified to the contrary, our valuations are on the basis that these aspects are satisfactory and also that the site is clear of underground mineral or other workings, methane gas or other noxious substances.
7. Unless otherwise stated our report is subject to there being no detrimental registration(s) affecting the land other than those appearing on the Record of Title(s) valued in this report. Such registrations may include Wāhi Tapu registrations and Historic Places Trust registrations.
8. We have not obtained from the territorial authority a Land Information Memorandum. Our valuation has been made on the basis that such Memorandum if obtained would not have disclosed information which would have affected adversely our opinion of the market value of the property.
9. No environmental audit has been undertaken, although contaminants present on the site and obvious to us on inspection may have been noted in the report. No warrant is given, or is to be implied, in this report that the property is free from contaminants.
10. While in the course of inspection due care is taken to note building defects, no structural survey has been made and no undertaking is given about the absence of rot, termite or pest infestation, deleterious substances such as asbestos or calcium chloride or other hidden defects. We can give no guarantee as to outstanding requisitions in respect to the subject building.
11. In preparing the valuation it has been assumed hot and cold water systems, electrical systems and other devices, fittings and conveniences as are in the building to be in proper working order and functioning for the purpose for which they were designed.
12. Where a property is leased, this report records the nature of the information supplied. That information has been accepted and relied upon at face value. It has been assumed that the information supplied is complete and accurate, and that the lease is fully enforceable.
13. Unless otherwise stated in our report our valuation is on the basis that the property complies with the Building Act 1991, Health and Safety in Employment Act 1992, Evacuation of Buildings Regulations 1992 and Disabled Persons Community Welfare Act 1975 or that the legislation has no significant impact on the value of the property.
14. We certify that Logan Stone Limited holds professional indemnity insurance.

**Appendix B**  
**Records of Title**



**RECORD OF TITLE**  
**UNDER LAND TRANSFER ACT 2017**  
**FREEHOLD**  
**Search Copy**



  
R.W. Muir  
Registrar-General  
of Land

**Identifier** **GS117/62**

**Land Registration District** **Gisborne**

**Date Issued** 27 May 1959

**Prior References**

WA 1G/106

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<b>Estate</b>	Fee Simple
<b>Area</b>	3566 square metres more or less
<b>Legal Description</b>	Section 48 Block IV Waikohu Survey District

**Registered Owners**

Marie Pamela Cranswick

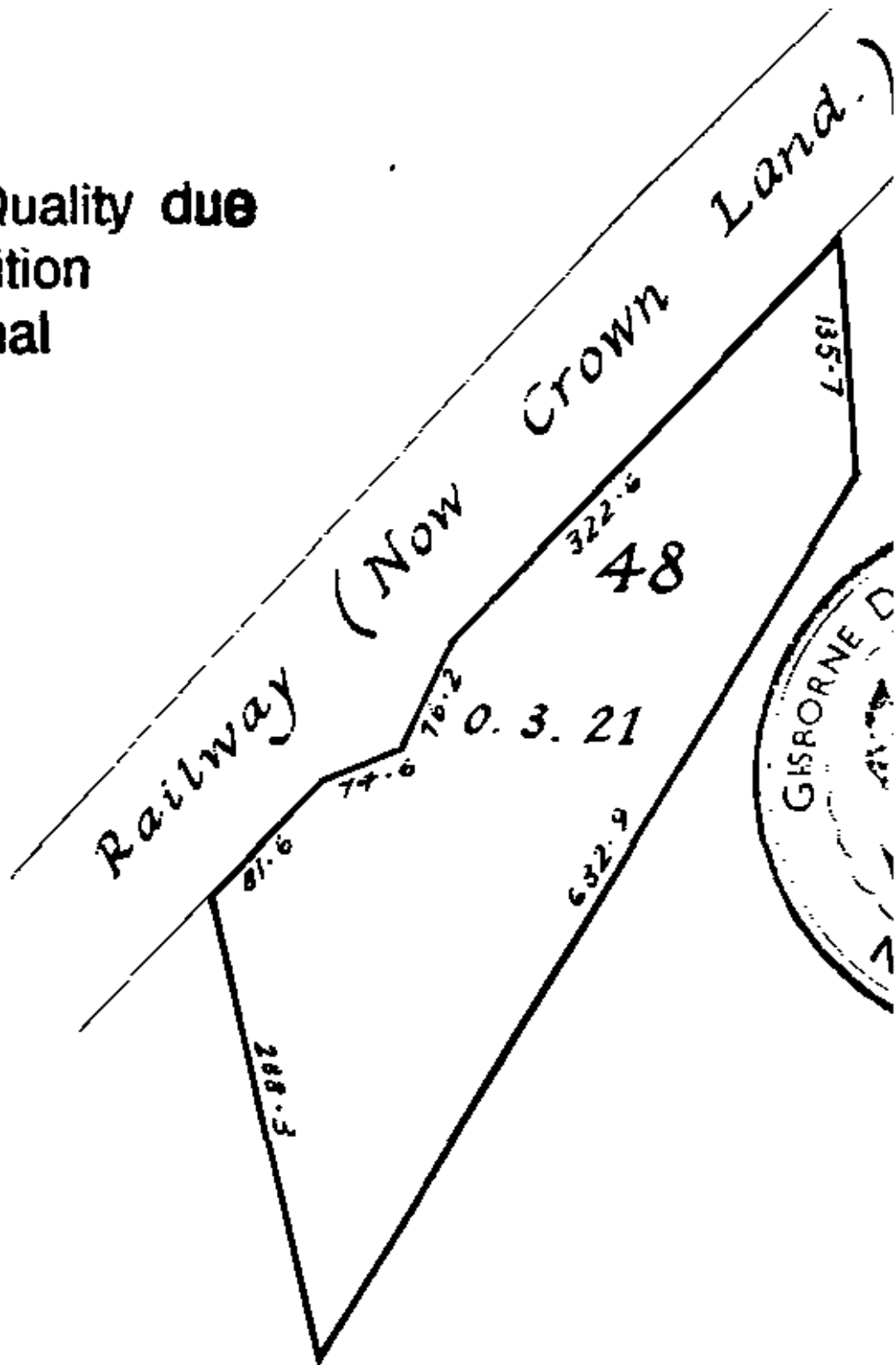
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**Interests**

Subject to Section 8 Coal Mines Amendment Act 1950



Image Quality due  
to Condition  
of Original



METRIC AREA IS 3566m<sup>2</sup>

Scale: 1 inch = *Two chains.*



**RECORD OF TITLE**  
**UNDER LAND TRANSFER ACT 2017**  
**FREEHOLD**  
**Search Copy**



  
R.W. Muir  
Registrar-General  
of Land

**Identifier** **GS6A/220**

**Land Registration District** **Gisborne**

**Date Issued** 02 August 1995

**Prior References**

GS5A/344                      GS5C/94

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<b>Estate</b>	Fee Simple
<b>Area</b>	67.8431 hectares more or less
<b>Legal Description</b>	Lot 1-2 Deposited Plan 8727, Part Lot 4 Deposited Plan 3085 and Ruangarehu J1 Block

**Registered Owners**

Marie Pamela Cranswick, Andrew Bernard Cranswick and Richard Geoffrey Cranswick

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**Interests**

Subject to a right (in gross) to lay a pipeline and to convey natural gas products over part marked B on DP 7191 in favour of Natural Gas Corporation of New Zealand Limited created by Deed of Easement PR GS5A/1443 (affects Lot 1 DP 8727)

Subject to a right (in gross) to lay a pipeline and to convey natural gas products over part marked C on DP 7191 in favour of Natural Gas Corporation of New Zealand Limited created by Transfer 171787.1 (affects part Lot 4 DP 3085)

Subject to Section 241 Resource Management Act 1991

Subject to Section 3 Petroleum Act 1937 (affects part)

Subject to Section 8 Atomic Energy Act 1945 (affects part)

Subject to Section 3 Geothermal Energy Act 1953 (affects part)

Subject to Sections 6 and 8 Mining Act 1971(affects part)

Subject to Section 5 and 261 Coal Mines Act 1979 (affects part)

Subject to Section 27B State-Owned Enterprises Act 1986 (which provides for the resumption of land on the recommendation of the Waitangi Tribunal and which does not provide for third parties, such as the owner of the land, to be heard in relation to the making of any such recommendation) (affects part)

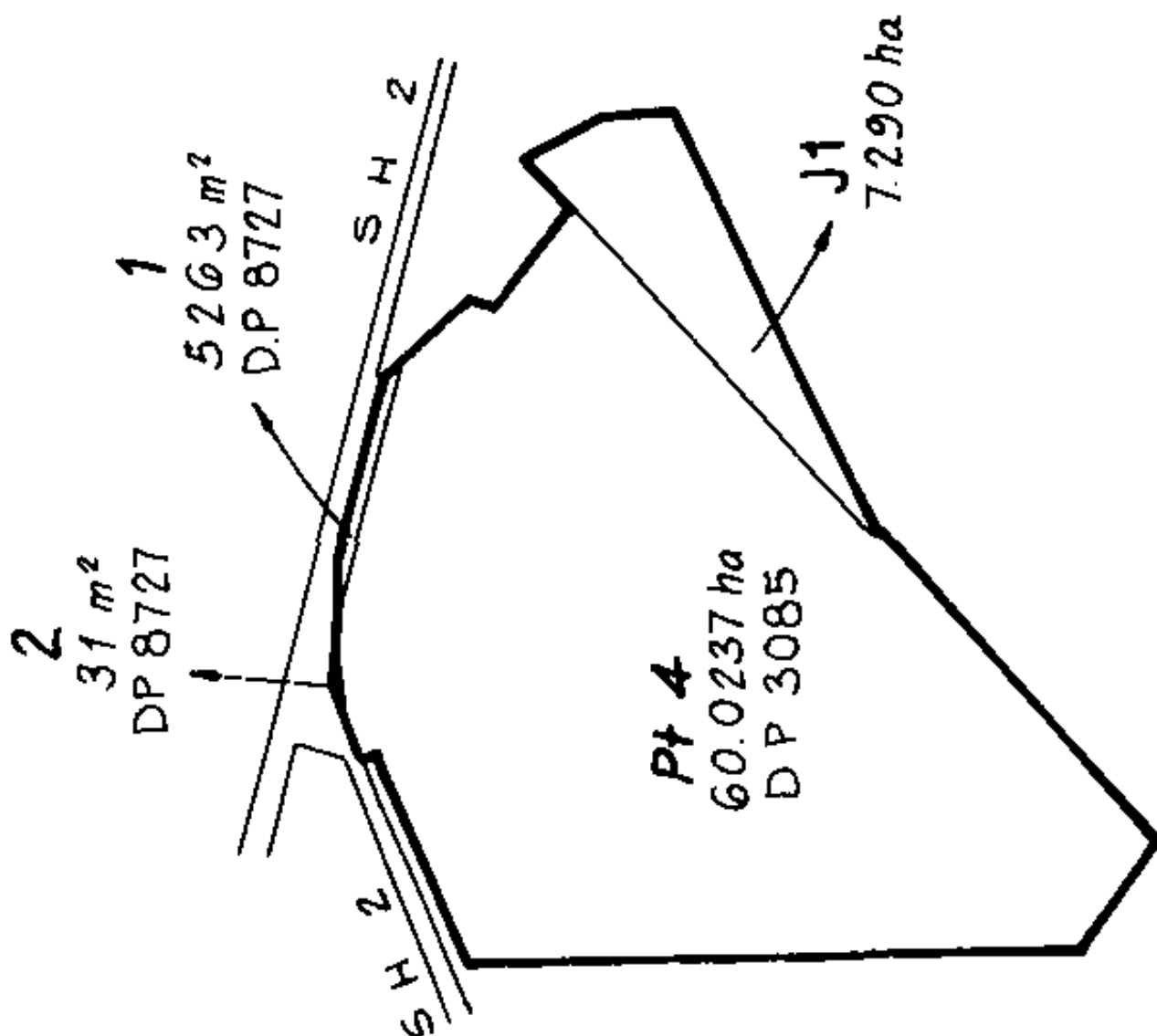
Subject to Part IV A Conservation Act 1987 (affects part)

230781.1 Forestry Right pursuant to the Forestry Rights Registration Act 1983 to Marie Pamela Cranswick term 30 years from and inclusive of 1.8.2000 - 18.9.2000 at 9.20 am

6184387.1 Gazette Notice ( 2004 p. 1452 ) declaring State Highway No.2 to be a limited access road - 15.10.2004 at 9:00 am

11615273.3 Mortgage to Alpha First Securities Limited - 21.11.2019 at 4:27 pm

11994306.1 Variation of Mortgage 11615273.3 - 27.1.2021 at 12:44 pm



07.7



**RECORD OF TITLE  
UNDER LAND TRANSFER ACT 2017  
FREEHOLD  
Search Copy**



  
R.W. Muir  
Registrar-General  
of Land

**Identifier** **GS6A/222**

**Land Registration District** **Gisborne**

**Date Issued** 02 August 1995

**Prior References**

GS5C/94                      GS97/69

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<b>Estate</b>	Fee Simple
<b>Area</b>	88.5021 hectares more or less
<b>Legal Description</b>	Lot 4-6 Deposited Plan 8727 and Lot 3 and Part Lot 1 Deposited Plan 3085

**Registered Owners**

Marie Pamela Cranswick, Andrew Bernard Cranswick and Richard Geoffrey Cranswick

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**Interests**

Subject to a right (in gross) to lay a pipeline and convey natural gas products over parts marked D and E on DP 7191 in favour of Natural Gas Corporation of New Zealand Limited created by Grant of Easement embodied in the register GSPR5A/1443 (affects Lot 4 DP 8727)

Subject to Section 241 Resource Management Act 1991

Subject to Section 3 Petroleum Act 1937 (affects part)

Subject to Section 8 Atomic Energy Act 1945 (affects part)

Subject to Section 3 Geothermal Energy Act 1953 (affects part)

Subject to Sections 6 and 8 Mining Act 1971 (affects part)

Subject to Sections 5 and 261 Coal Mines Act 1979 (affects part)

Subject to Section 27B State-Owned Enterprises Act 1986 (which provides for the resumption of land on the recommendation of the Waitangi Tribunal and which does not provide for third parties, such as the owner of the land, to be heard in relation to the making of any such recommendation) (affects part)

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