

'DESK-TOP' RENTAL VALUATION

MELVILLE ISLAND, NT

**RE : PROPOSED RENTAL AGREEMENT BETWEEN
THE TIWI LAND COUNCIL & SYLVATECH LTD**

YOUR REFERENCE : FAX OF AUGUST 1, 1998 - 17-5-8

OUR REFERENCE : 21885

INSTRUCTIONS

The above-mentioned tenancy has been assessed in accordance with instructions from John Hicks of the Tiwi Land Council, to provide a current 'desk top' market rental value for the proposed rental period.

INSPECTION

Satellite images and the Environmental Impact Study have been inspected. On instructions, the subject tenancy has not been physically inspected.

DATE OF VALUATION

As at August 19, 1998.



LAND IDENTIFICATION

The subject land is delineated in red on the plan, being Figure 3, on page 41a, of the Environmental Impact Assessment by Forsci Pty Ltd.

PROPOSED LESSOR

The Tiwi Land Council.

PROPOSED LESSEE & PROJECT OPERATOR

Sylvatech Ltd.

ZONING

Not applicable.

LOCATION

The subject tenancy is on Melville Island, about 40 km north of Darwin.

SERVICES & AMENITIES

Apart from a limited road network there are no services on the subject land.

The project operator will be responsible for the provision of their own services.

DESCRIPTION OF LAND

The land is a gently undulating natural eucalypt forest country and a former pine plantation.

AREA OF TENANCY

30,000 ha, as advised.



SUMMARY OF PROPOSED LEASE

The proposed lease document has not been sighted and this summary is based on information supplied by John Hicks.

This valuation is based upon the following terms and conditions :-

| | | |
|--------------------------|---|--|
| Term of lease | : | 30 years + 30 year right-of-renewal |
| Developers proposed rent | : | Payable 3 months in advance 1 st year \$10.00 / ha 2 nd year \$10.00 / ha, + Brisbane CPI 3 rd year \$12.50 / ha, + Brisbane CPI 4 th year \$12.50 / ha, + Brisbane CPI 5 th year \$15.00 / ha, + Brisbane CPI |
| Rent review method | : | As agreed after 5 years intervals and to be determined by an accountant if agreement is not reached. |
| Lessee's outgoings | : | Insurances Maintenance of the project. |

S.W.O.T ANALYSIS

Strengths

- Suitable soils and rainfall.
- Deep water access for shipping.
- Successful trail planting's.

Weaknesses

- Lack of services and infrastructure.
- The tyranny of distant and isolation form the mainland.

Opportunities

- To participate in the burgeoning silviculture industry.
- For the Tiwi people to establish their own plantations and to use knowledge gained by working in the proposed forest and uterlizing the facilities to be established by the proposed lessee.



Threats

- Alternate sources of wood chip timber from Australia and abroad.
- Tropical cyclones.
- Bush fires.

GENERAL COMMENTS

The Tasmanian Experience

The method of rent assessment in Tasmania for silviculture lands is for farmers to be paid 5 % of the cleared land value with the farmers paying land and council rates. Most silviculture lands have a fee simple value of from \$1,500 to \$1,800 / ha or a yearly gross rent of \$75 to \$90 / ha. The best lands in Tasmania are valued \$2,600 to \$3,000 / ha and the gross annual rent on these parcels is from \$130 to \$150 / ha. These parcels are smaller than the subject property (John Armatys, at the AVO ph 03 6220 483). Tasmania has a great deal of infrastructure and has an established timber industry.

WA

Bunnings are in the business of growing and / or harvesting trees for the wood and pulp industries.

Bunnings had tried to base their rents a percentage of the capital value but competition from the viticultural industry forced them to scrap that method. They base their rents on the expected timber yield. The growing period is 10 years and rents are site and size specific, with rents varying from \$150 to \$300 / ha. These rentals are for very much smaller allotments compared to the proposed development. (Murray Boulds, at Bunnings ph 08 9771 7222).

Conclusions

Southern lands, now being given over to forestry, have a variety of more intensive uses and have competing users. Much of this land is suitable for viticulture, agriculture or horticulture. This situation does not exist in the Tiwi Islands. Much of the Tiwi land is eucalypt forest.

VALUATION CONSIDERATIONS

On instructions, I have not undertaken a full feasibility study on the likely success or otherwise of the silvicultural proposal and am unaware of the likely yield of chips per ha, establishment, maintenance, harvesting and shipping costs. In the NT, wood chipping is a sunrise industry with no historical information available.

In assessing the market rental value of the subject lands, the location, size, rainfall, soils, access to sea transport and the isolation factor have been taken into consideration.



I am unable to find evidence of comparable forestry rents in the NT. There is however, sufficient evidence of unimproved land values on the mainland, principally on the Douglas Daly and the Sturt Plateau.

Sturt Plateau and Katherine land is worth \$30 to \$40 / ha for parcels in the order of 30,000 ha. Uncleared land in the Douglas Daly region is worth from \$80 to \$100 / ha for areas in the order of 10,000 ha. The freehold value of the subject land is assessed at the rate of \$50 / ha

There is evidence that net return on agricultural land is in the order of 5 % to 7 %.

VALUATION

As at August 19, 1998 the annual market rental value of the subject land is considered to be :-

$$\$50 / \text{ha} \quad * \quad 6 \% \quad = \quad \$3 / \text{ha} / \text{pa} \quad * \quad 30,000 \text{ ha} \quad = \quad \$90,000$$

The above market rental value is the price at which the subject tenancy might reasonably be expected to be rented for, as at the date of valuation, assuming :-

- (a) a willing lessor and willing lessee;
- (b) a reasonable period has been allowed for the letting, taking into account the nature of the property and the state of the market;
- (c) that the tenancy has been fully exposed to the open rental market and
- (d) that no account has been taken of any higher price that might be paid by a lessee with a special interest, such as the proposed developer, who is said to have special technical management, financial and marketing skills.

RECOMMENDATION

In view the general market and unique soil / rainfall combination, it is strongly recommended that the proposal submitted by the developers be accepted.

Rents are to be reviewed after 5 years and depending on the success of the project and may be adjusted.



PROVISO

This valuation is not to be used after 6 months, from the date of valuation, nor if there are any material or economic changes meanwhile. In either event it should be referred back to the Australian Valuation Office for review.

Graeme Tosh
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Assoc. Dip. Business (Management)

AUSTRALIAN VALUATION OFFICE
DARWIN

August 19, 1998

Site Contamination

A visual inspection has failed to reveal any obvious pollution or contamination. We are not expert in the detection or qualification of environmental problems nor have we carried out such investigations. This valuation is made on the basis of no on-site contamination by hazardous substances and no allowance has been made for the survey, containment or removal of such contaminants, or the effect that their presence may have on the value or rents. Should subsequent investigations reveal site contamination this value may require revision.

Disclaimer

This valuation is for the exclusive use of the Tiwi Land Council and is not to be used by any other party for any purpose. Neither the whole nor any part of this valuation report nor any reference thereto may be included in any published document, circular nor statement, nor published in part nor in full in any way without written approval of the Australian Valuation Office of the form and context in which it will appear. Notwithstanding the foregoing, the client agrees that in the event that it does communicate to a third party the whole or any part of this valuation it shall also communicate to the third party the full terms as stated under this disclaimer and further agrees to indemnify the Australian Valuation Office in the event of any failure to do so.