

## Commercial Forestry

### Key Benefits

UK commercial forestry offers stable returns – backed by freehold land. Historically, this asset class has been uncorrelated to other asset classes and has not suffered from high volatility. Commercial forests also offer a good opportunity to generate capital growth.

Commercial forestry is extremely tax efficient, because investments can qualify for Business Relief after two years, and all timber sales are free from income or capital gains taxes.

### Security

A forestry partnership, established and managed by Stellar, acquires the freehold interest in each commercial forest with a full Land Registry title. Stellar seeks an independent expert valuation prior to acquisition, and each commercial forest is insured against wind, fire and other risks.

### Strategy

The forestry partnership retains the services of a specialist forestry manager. Any specialist work, such as harvesting and replanting obligations, is put out to tender as and when required.

The predominant crop species we seek is Sitka spruce, which is the most commonly planted conifer in the UK. We typically acquire woodlands which are approximately halfway through their 35 to 40 year life cycle. We seek trees of this age because younger trees are more susceptible to damage and more mature woodlands demand a premium price.

Commercial Forestry can be accessed through the following services:



**The Stellar Growth Inheritance Tax Service**



**The Stellar Business Inheritance Tax Service**



**The Stellar Bespoke Inheritance Tax Service**

The investment return comes primarily from three sources: changes in the price of timber; potential land price inflation created by any increase in demand for commercial forests and the physical tree growth. Historically the MSCI UK Forestry Index showed an annualised return of 9.2% from its launch in 1992 to 31 December 2017. The MSCI UK Forestry Index is no longer maintained.

### Key considerations when acquiring commercial forests

- ★ The location of and the access to the forest
- ★ The independent expert valuation
- ★ Soil condition and current crop composition
- ★ The harvesting and planting strategy
- ★ Strategies to add value through active management and any planning permissions
- ★ Due diligence on the forestry management team and any contractors.

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### Important Information

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