

Poohsticks...

... or trunks. Forestry is so rewarding that a bear would need a fair amount of honey to part with his wood, says **Rupert Bates**

POOH and Piglet were on to a good thing with their 100-acre wood, presumably with shrewd tax advice from Owl. There are few better performers than forests as assets. As the housing market shouted "timber", forestry investors, while hit by price falls suffered by property investments, knew that their crop would pay dividends long-term.

I have a theory, based on no research whatsoever, that owners of woodland are less stressed than most of us. They watched timber prices tumble but sensibly reasoned that by the time they needed to fell the crop, the market should have recovered and construction companies would be crying out for their product.

"Timber prices are on the increase. There are regional differences, but we are heading back closer to where we were. Overall, timber looks very good value for money," says Jon Lambert of John Clegg & Co.

New investors are cottoning on. While there may be ancillary advantages from the land, be they shooting rights, consent for a house or a hydro scheme, Lambert stresses that forestry investment needs to stand on its own trunk.

There is the advantage that the Treasury cannot see the tax for the trees, with no income tax on the sale of timber, Business Property Relief after two years of ownership – assuming the woodland is managed as a business – and no inheritance tax on death.

There are other benefits less prosaic than tax shelter. Julie Butler of Butler & Co lists game coverts, habitat preservation and belts of amenity trees for farms, providing firewood, fencing and timber.

"Investment in woodland or forestry, whether a large forest for investment and enjoyment or a small shooting covert, has superb potential for tax relief," says Butler, adding that professional advice is essential prior to purchase.

For instance, the definition of woodland that qualifies for Agricultural Property Relief is complex and woodland used for the production of commercial timber is not agricultural property. Woodland is not a fast-buck enterprise. "Forestry is a long-term investment where the crop often takes 35 years to mature. It requires proactive asset management and the owners need to be aware of market conditions," says Lambert.

"We are seeing a number of people buying bare land and planting trees, which has not happened for some time. They are planting commercial conifers on part of the land, balanced with areas of open ground, broadleaves and perhaps some ponds. This ensures the investment is not wholly reliant on timber

prices and leaves another route out for the investor," Lambert adds.

However, Butler points out that management and public liability insurance are expensive and generally the cost of harvesting timber is greater than the return. The more entrepreneurial woodland investors look to integrate other income streams, such as the potential of any barns for holiday lets, offering woodland walks. But do not think you can buy a forest for instant property development profit. "It is difficult and rare to mow down woodland to build a housing estate," says Butler.

Forestry also has a front seat on the green energy bandwagon, with tree waste having a commercial value. "This adds to the return per hectare for felling trees. The biomass market is competitive and we believe will lead to further increases in timber value," says Lambert.

According to the 2009 Forest Market Report from UPM Tilhill and Savills, the commercial forestry market almost doubled in size last year to £48.3 million.

Now all I need are a few pots of honey to persuade Pooh to sell. ■



There is no income tax on the sale of timber

Rupert Bates is an expert on property and international rugby players' drinking habits