The land expectation value calculated in timberland valuation

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Abstract
Appraisers often use discounted cash flow (DCF) techniques to value timber and timberland. Land expectation value (LEV) is a standard DCF technique applied to many timberland situations. LEV calculates the value of bare land in perpetual timber production and is often used to value even-aged pine plantations. However, it is also useful in the valuation of immature timber stands and uneven-aged timber stands cut periodically. These models have wide applicability in timberland appraisal situations.

Comments

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Soil expectation value. Without getting overly technical, the soil expectation value (or SEV) is used when it has been determined that the best use for the property is for the production of timber. It measures the value of the costs and revenues resulting from a sequence of forested rotations. But even before you start the official appraisal process, there are a few things to consider about your particular property to help determine if it’s going to be a smart investment. Investing in timberland can look like purchasing shares of timber, purchasing the land and managing the timber on their own, buying the land and hiring someone to manage the timber or acquiring the land outright. Understanding timberland values is key to making smart investment decisions.

Land Valuation with a Limited Planning Horizon. The forestry industry in South Africa operates within a dynamic environment. Rotations are relatively short, land use conversion takes place regularly and company ownership changes frequently. Foresters in the private sector are therefore reluctant to use Land Expectation Value with its assumed infinite planning horizon as a criterion for land valuation. This paper presents a criterion for land valuation when a limited planning horizon is applied. The criterion takes account of real price changes and of differences between the cash flow items in seedling rotations and those in coppice rotations. Calculating the value of land for tax purposes can be complicated for a small business since there are multiple reasons that value would need to be assessed, each requiring a different method of valuation. The first is in regards to property taxes. The second involves ... Calculating land value for tax purposes may seem tricky, but it doesn’t have to be. There are many ways to determine property valuation for tax purpose. But the three valuation methods most commonly used to calculate the current market value of land are using assessed value, appraised value and replacement value.