



Client Ref:
VOA Ref: 1328615 DJH/JS
Date: 10 September 2010



VALUATION OF STRONAFIAN FOREST, GLENDARUEL, ARGYLL

INSTRUCTIONS

I refer to Forestry Commission's instructing letter of 10 August 2010 requesting that I carry out a valuation of the above property acting in the capacity of Independent Valuer and on the assumption that the fee will be shared equally between the parties.

The purpose of the valuation is to determine a figure at which the subjects may be sold to Colintrave and Glendaruel Development Trust under the terms of the National Forest Land Scheme(**NFLS**). For the purposes of this report I will describe the entire subjects of the valuation as 'the forest'.

EXECUTIVE SUMMARY

Having carried out an inspection of the property on 24 August 2010 and carefully considered the matter, including the representations from both parties, I have arrived at the conclusion that the current Market Value of the subjects at Stronafian Forest would be fairly stated at **£1.55million**.

This value represents that forest's value purely as a commercial woodland, having taken into account the representations of the parties and also the comments of the local planning department, I am of the view that no significant development value attaches to the property.

The valuation is carried out against the background of strong market interest in plantations exposed for sale in Argyllshire and, indeed, more widely, in Scotland; and recent sales have provided evidence of a strong competitive market with competing interests leading to closing dates being set and robust values being obtained.

Both parties have submitted their representations and my determination summaries these representations only. I would however state that whilst the report summarises the parties representations if a point(s) is not expressly contained therein it does not mean it has not been factored into my considerations.

DATE/EXTENT OF INSPECTION

I inspected the forest on 24 August 2010 when weather conditions varied from wet through showery to sunny by early afternoon. For the initial part of the inspection I had the company of members of the Colintrave and Glendaruel Development Trust. Thereafter, my inspection was carried out alone from various advantage points around the woodland and walking through parts of the commercial forestry.



Client Ref:
VOA Ref: 1328615 DJH/JS
Date: 10 September 2010



LOCATION

The subjects are located at the head of Loch Riddon in Cowal about 14 miles from the main settlement of Dunoon and lying between the B class road linking Glendaruel with Dunoon and the A866 Colintrave to Strachur.

The forest ranges from heights of about 30 metres in the lower part of Glendaruel to about 300 metres. Essentially it occupies the west facing slope of Glendaruel and a shallow glen lying to the east and slopes over to a burn above Loch Striven.

The main access to the site is over a forest road from the B836. This crosses land owned by others and it is assumed that there are adequate rights of access for commercial forestry operations. A smaller access spur extends in from the A866 at Auchategan north of the Clachan of Glendaruel and once again crosses land owned by others where it is assumed there are adequate access rights. This entrance has clearly been used for recent harvesting operations in this vicinity.

The area is dominated by agricultural and forestry operations and the small hamlets of Stronafian and Clachan of Glendaruel are on the periphery of the forest. There are limited local facilities such as a primary school at Clachan of Glendaruel, however, the Glendaruel Hotel is currently closed. The other major facility in the glen is the Glendaruel Caravan Park. This area looks to Dunoon for its main town centre facilities.

In terms of commercial forestry Cowal has extensive areas of conifer plantations, mainly similar to the one under consideration and transport from the forest is either by road via the A866/A83/A82 to central belt markets or from piers at Sandbank or Portavadie. An increasing amount of timber from Cowal and indeed the wider area of Argyllshire is now transported outwards by sea., giving easy access to markets particularly in Ayrshire and in Ireland.

DESCRIPTION

The forest is a fairly typical coniferous forest for this part of Argyll and contains a high percentage of sitka spruce which is currently the most marketable commercial timber from this part of the world. The planting was predominantly carried out in the early 1970s and is currently reaching maturity and a good deal of harvesting will take place over the next few years.

There are also significant plantings from 1957 in the area behind the settlement of Stronafian and more recently from the mid 1980s on the slope above Glendaruel. Significant replanting has also taken place on areas harvested in 2009/2010.



Client Ref:
VOA Ref: 1328615 DJH/JS
Date: 10 September 2010



There are also substantial areas of open ground where harvesting has taken place and which await replanting and areas which are either unplanted or open.

I would estimate the average yield class of the commercial timber at around Yield Class 14.

There are also attractive areas of native broadleaf woodland particularly around Clachan of Glendaruel itself and elsewhere on the fringes of the forest. Whilst these are of little commercial value there is no doubt that they add significantly to the amenity of the woodland. There are a number of archaeological monuments within the area closest to Clachan of Glendaruel. These could be viewed as constraints to normal timber management or potentially as attractions for visitors.

A strip running through the southern flank of the forest is reserved for purposes relating to the carriage of water to the power station at Loch Tarsan and it is noted that the main access road into the forest crosses over one of these areas. Once again it is assumed that access rights over that area are adequate and that any weight restrictions which may apply would not add undue expense to harvesting operations.

In recent years prior to some harvesting taking place a good standard of access road has been provided from the B836 towards the north end of the forest. Beyond this point the Forestry Commission have an agreement with the owners of an adjoining wind farm that part of the forest will be retained until 2024 in order to screen the wind turbines.

By that time the trees within this area will be around 50 years old which is a little beyond the optimum at which one would hope to harvest at the highest part of the forest and some loss of timber to windthrow is almost inevitable, particularly after the crop on the existing flank is removed. There is already evidence of windthrow on the edge of the road where previously sheltered standing timber has been exposed to the prevailing south west wind. The windfarm owners are obliged to make compensation payments totalling £20635 in three instalments in 2014/2019/2024. I assume these payments would be assigned in the event of a sale.

Whilst the forest would benefit from further roads being constructed it does seem to me that much of the harvesting could take place to the existing road and the extent of the road is similar to that found in many similar plantations, some of which have recently been sold on the open market.

I have attached a plan received from the Commission showing the extent of the forest.



Client Ref:
VOA Ref: 1328615 DJH/JS
Date: 10 September 2010



LAND AREA

According to title the forest extends to 605 hectares or thereby, however, the area is taken from the compartment record extend to 615 hectares or thereby. I have taken my analysis of the timber crop, etc. from the compartment records I have made allowance for the discrepancy which may be due partly to some rounding in compartment areas and also the areas where no warrandice can be granted where fence lines depart from title boundaries.

I have calculated the areas as follows:

1950s conifers	51.28 hectares
Early 1970s conifers	259.00 hectares
1980s conifers	67.88 hectares
2010 conifers	44.44 hectares
Broad leaves	38.34 hectares
Felled areas for replanting	39.71 hectares
Balance open/unplanted	114.35 hectares
TOTAL	615.00 hectares

I would regard around 23 hectares of the stocked areas which are of less than Yield Case 6 as being failed and have discounted them from my calculations. These areas are largely on high, peaty parts of the forest.

SPORTINGS

The Forestry Commission have provided me with sporting records for the last five years. These show totals as follows:

	Adult Males	Adult Females	Calves
Red Deer	21	30	16
Roe Deer	10	16	7

These include both sporting and deer cull figures. This presumably equates to 4 Red Deer Stags per annum.

Deer numbers could become a problem particularly as there is little protection for the newly planted conifers. Until fairly recently there would have been little issue as all of the trees were beyond the stage where deer damage would have been significant.

SERVICES

There are no main services within the forest although there power lines on the fringe at Stronafian. I assume also that mains water is close to the edge of the site for example at Clachan of Glendaruel.



Client Ref:
VOA Ref: 1328615 DJH/JS
Date: 10 September 2010



TITLE RESTRICTIONS

It is assumed that no onerous title restrictions or conditions affecting the property other than that requiring the retention of an area of conifer until 2024 in order to screen the adjoining owned farm and a replanting obligation over the felled and not replanted areas.

LEASE PROVISIONS

It is assumed that there are no leases in force over the forest.

ACCESS

It is assumed that the existing servitude rights of access from the A866 and the B836 road are adequate for commercial timber management and extraction purposes. I have not been able to confirm the position from the Forestry Commission, however, should it prove that such rights cannot be transferred without difficulty I would be prepared to reconsider my valuation.

PLANNING

I have made brief enquiries of the local planning office and they have replied as follows:

The majority of this site is zoned either sensitive countryside or very sensitive countryside in the Argyll and Bute Local Plan so there is very limited scope for housing development. In the vicinity of Stronafian itself the settlement zone is drawn fairly tightly around existing buildings so any of the forest site there is most likely to be in countryside around settlement where development is not likely to be acceptable. The Development Plan does of course allow for special or exceptional cases, see Policies STRAT DC5 and STRAT DC6 of the Structure Plan for example. However, the rising ground to the north of the national scenic area and difficulties of servicing would limit the possibilities. Small scale wind turbines, telecommunication masts or small scale hydro schemes spring to mind.

From this I would take the view that there is very limited scope for development within the forest and it is extremely unlikely that commercial large scale wind farm development would be permitted. This impression is strengthened by recent cases where wind farms in the surrounding area have been turned down. It would certainly seem unlikely that, when required to retain trees to screen an existing wind farm, that any wind farm development would be allowed in front of these trees the forest at that point is very close to a national scenic area which is easily viewed from the prominent parts of the Tighnabruaich Road nearby where there is a National Trust viewpoint.

INTEREST VALUED

The interest valued is owner's heritable interest with vacant possession.



Client Ref:
VOA Ref: 1328615 DJH/JS
Date: 10 September 2010



VAT It is understood that this transaction is not one to which VAT is applicable and the stated opinion of value has due regard to this fact. In the event that this understanding is found not to be accurate, the valuation should be referred back for reconsideration.

MINERAL STABILITY The property is not in an underground mining area and a Mining Subsidence Report has not been obtained.

DATE OF VALUATION The date of valuation is the date of this report.

I would draw your attention to the fact that values change over time and that a valuation given on a particular date may not be valid on an earlier or later date.

BASIS OF VALUATION This reference under the NFLS is taken to mirror the terms of the Community Right to Buy under the Land Reform (Scotland) Act 2003.

The basis of valuation of the property in its existing condition is **Market Value** as defined in the Royal Institution of Chartered Surveyors Valuation Standards 6th Edition as follows:

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In terms of Section 59 (6) and (7) of the Act the market value of land is the aggregate of –

(6) (a) the value it would have on the open market as between a seller and a buyer both of whom are, as respects the transaction, willing;

and

(b) where a community body is exercising a right to buy which has arisen in relation to part only of the land in respect of which the owner has given notice under Section 48 (1) of the Act that a transfer is proposed, the amount of any diminution in the value of the other part of that land which is attributable to the fact that part only of the land is being bought by the body.



Client Ref:
VOA Ref: 1328615 DJH/JS
Date: 10 September 2010



In assessing the value which land would have in the circumstances mentioned in sub section 6 (a) above –

(7) (a) account may be taken, in so far as a seller and a buyer of the land such as are mentioned above would do so, of any factor attributable to the known existence of a person who (not being the community body which is exercising its right to buy the land) would be willing to buy the land at a price higher than other persons because of a characteristic of the land which relates peculiarly to that person’s interest in buying it;

(b) no account shall be taken of –

- (i) the registration of an interest in or the exercise of a right to buy the land by a community body under this Part of the Act;
- (ii) the absence of the period of time during which the land would, on the open market, be likely to be advertised and exposed for sale;
- (iii) any depreciation in the value of any other land owned by the seller;
- (iv) the expenses of the valuation or otherwise related to the sale and purchase of the land.

REPRESENTATIONS

In accordance with my normal practice I have invited representations from both of the parties.

FORESTRY COMMISSION

The Commission have given their views on value for the whole area and feel a figure in the region of £1.5/£1.6million is reasonable. This is based around some of the comparable sales and the current strong market arising from investment and other biofuel/woodfuel interests. Reflected also are the sporting rights and the compensation from Scottish Power .This figure does not reflect any windfarm potential.

**COLINTRAIVE AND
GLENDARUEL
DEVELOPMENT TRUST**

Representations were received from Colintraive and Glendaruel Development Trust as follows:

1. **Access:**
 - 1.1 Infrastructure required for harvesting commercial timber is incomplete, representing a required



Client Ref:
VOA Ref: 1328615 DJH/JS
Date: 10 September 2010



investment of circa £400,000 to facilitate extraction of the resource.

- 1.2 Forestry Commission Scotland has had to create a deed of servitude with the landowner of the intervening land to access Stronafian Forest. There are potentially costly negotiations to rewrite the agreement in favour of the Trust.
- 1.3 The existing, recently installed, access road passes over land reserved for the piping of water to the Loch Tarsan Hydro-electric installation. There are potentially weight restrictions for incoming and outgoing traffic as well as imposing constraints in the other working practices of modern forestry.
- 1.4 As we have not had sight of the deed of servitude from Forestry Commission, we are not, therefore, aware of whether access rights exist for anything other than forestry.

2.0 **Forestry**

- 2.1 There is an area of valuable commercial timber to be retained for screening purposes until the Cruach Mhor wind-farm is decommissioned. This significant acreage is, therefore, a liability rather than an asset, given its current maturity and the fact that the commercial value will be significantly less by the time felling is able to take place.
- 2.2 Areas of native woodland border the entire site and so impose restrictions on timber harvesting and management operations.
- 2.3 There are three areas of forest which have recently been harvested and which would normally have been replanted with profits from the timber harvest. These areas have not, however, been replanted and, therefore, represent significant expense for the new owner.
- 2.4 Important archaeological remains are extant in the forest, particularly on the western slopes above the Clachan of Glendaruel. Not only do these restrict operations, but the preservations represents a significant liability for the new owner.
- 2.5 Whilst the Trust is prospective owner on behalf of the community, they will be looking at low impacts over the culture as a social enterprise. This will not present a commercially viable asset building operation. The



non-commercial areas of woodland should, therefore, be regarded as having a neutral amenity impact on the value of the land.

2.6 Significant bird life is reported in this section of the hills running between Glendaruel and Loch Striven.

3.0 **Business development and other uses.**

3.1 The southernmost part of the plantation falls within the Kyles of Bute National Scenic Area and the Ruel Site of Special Scientific Interest is within 500 metres of the site.

3.2 **Renewable potential.**

3.2.1 The topography and location of the site limits the economic viability and renewable energy technologies, particularly wind, and only a large scale development would be economically viable. However the proximity of the installation mentioned at 2.1 will undoubtedly influence any planning consent (setting aside the capacity of the Trust to effect a project of scale).

3.2.2 Micro-hydro potential is also limited by the aforementioned hydro-electric installation as mentioned at 1.3.

3.3 **Residential Development**

3.3.1 The concept of forest crofts has been explored, but this is still a conceptual model. No value should be attributed to this potential.

3.3.2 Any potential for building plots is again restricted by 3.1 above and would restrict any potential response to the statutory body's emphasis of need for affordable social housing. The Trust, or indeed any other potential purchaser would be unlikely to be in a position to exploit in the medium term, if at all.

4.0 **Sporting Rights**

4.1.1 The Glendaruel Hotel is currently closed and is proven not to be viable, given the range of owners over recent years unable to sustain the business. Coupled with the positioning of the Colintrave Hotel, there is no available accommodation for stalking/fishing clientele. Making the exploitation of this potential extremely difficult.

4.1.2 The sporting rights themselves have been restricted



Client Ref:
VOA Ref: 1328615 DJH/JS
Date: 10 September 2010



due to the proximity of protected local fauna, including raptors, as well as the Cruach Mhor wind-farm.

5.0 **Other Amenity Values:**

5.1 Significant investment would be required in infrastructure, both within the forest and externally to service visitors.

The Trust have made no specific representations on the level of value.

**VALUATION
CONSIDERATIONS**

Stronafian Forest is a mainly near mature forest which will produce significant volumes of timber within the next few years and therefore an early income stream. Timber prices have recovered somewhat from their low point in late 2008/2009. However, despite difficulties on the timber market plantation sales have generated high levels of interest and are generally going to closing dates with a number of competitive interests.

It would seem that forestry assets are being seen as safe leading to long term investment at a time of security and long term growth of their futures in the market generally. Interests relating to bio-mass power and heat users have added an extra dimension to the market. The Forestry Commission is currently in the middle of a programme of plantation sales agreed by Ministers to raise £15 million per annum and this strategy has fuelled interest in investment in large commercial plantations.

A number of such plantations have been sold in the Cowal area in the last year or so with strong interest shown in the forests at Strachur, Dunloskin, Acharossan and most recently at Clachaig. Just across the water on the Island of Bute the Rhubodach Forest also attracted a number of offers at a closing date at the tail end of 2009. This plantation was eventually sold to a community interest under the Community Right to Buy.

More recently in a wider Argyllshire context the Three Bridges Plantation at Inveraray and Balinoe near Oban had both sold. Properties currently on the market include Auch South Tyndrum and Glenshira which is a very substantial plantation extending to almost 3000 hectares near Inveraray. Again it is understood that these are attracting considerable interest

In most of these cases in common with the subject forest these plantations include a variety of ages and species, open land and land requiring replanting. In most cases there is a basic



Client Ref:
VOA Ref: 1328615 DJH/JS
Date: 10 September 2010



road system but in almost all cases this could be much improved upon.

Each of the forests are different in character and I have given consideration to the range of values arising from these sales

As well as interpreting these nearby sales I have tried to place more specific values on aspects of the existing plantation using figures arrived at from elsewhere.

Given the comments of the Planning Department I have not added any hope value in respect of renewable energy or indeed of housing.

In summary then I have valued the property as a commercial forest only giving consideration to such evidence as is available for the sales of similar properties in the past year. The strong market for similar properties is noted and I consider it extremely likely that had Stronafian been exposed on the open market that it would have attracted considerable interest from commercial forest purchasers.

In the event that there are found to be difficulties surrounding access over land owned by third parties I would request that the instruction is resubmitted for further consideration.

OPINION OF VALUE

Having taken the foregoing into account I am of the opinion that the Market Value of the subjects at Stronafian would be fairly stated at **£1.55 million (One Million, Five Hundred and Fifty Thousand Pounds)**.

I do not consider that in terms of Sec 59(7) (A) of the above Act that there is likely to be a purchaser with a special interest in the property. Neither party has made any representations on these matters.

It is understood that no moveable items are included in the proposed sale.

ASSUMPTIONS ETC

The opinion of value has been arrived at having regard to the following Assumptions, Special Assumptions, reservations and special instructions or Departures:

- (a) no information has been provided on the title to the property and it is assumed that good title can be shown and the property is not subject to any unusual or onerous restrictions, encumbrances or outgoings;
- (b) the property has the necessary statutory consents for the current buildings and use and there are no policies or



Client Ref:
VOA Ref: 1328615 DJH/JS
Date: 10 September 2010



- proposals by statutory authorities that could impact positively or adversely on the value;
- (c) the property and its value are unaffected by any matters which would be revealed by a local search and replies to the usual enquiries or by any statutory notice, and neither the construction of the property nor its condition, use or intended use was, is or will be unlawful or in breach of any condition;
 - (d) it is assumed that the property is in good repair except for any defects specifically mentioned in this report;
 - (e) no detailed site survey, building survey or inspection of covered, unexposed or inaccessible parts of the property has been undertaken and no responsibility can be accepted for identification or notification of those defects which would only be apparent following such surveys or inspection. It is assumed that the inspection of those parts that have not been inspected would neither reveal defects nor cause me to alter my valuation materially;
 - (f) no information has been provided regarding the building services and associated Plant & Machinery and no investigation or testing has been undertaken. It is assumed that the services and any associated controls and software are in working order and free from defect;
 - (g) no investigation has been undertaken or information provided regarding the use of deleterious or hazardous materials or techniques in the construction of the property. It is assumed that no such materials or techniques have been used;
 - (h) no investigation has been undertaken or information provided regarding the presence of contamination or hazardous substances in the property or any costs involved with their removal. It is assumed that there is no contamination or hazardous substances in the property (including its site) and neighbouring properties;
 - (i) no environmental assessment has been carried out and no information provided on environmental issues. It is assumed that the property is unaffected by environmental factors that are either an inherent feature of the property itself or the surrounding area which could impact on its value;
 - (j) no investigation has been carried out and no information provided into the presence of naturally occurring radon gas. It is assumed that no radon gas is present in the property;



Client Ref:
VOA Ref: 1328615 DJH/JS
Date: 10 September 2010



- (k) where there is high voltage electrical supply equipment close to or at the property which may affect its marketability if appropriate this has been reflected in my valuation;
- (l) any information supplied by you or on your behalf by a third party, material to the valuation of the property, is complete and correct. I have relied on this information and should it prove to be incorrect or inadequate the accuracy of my valuation may be affected;
- (m) no responsibility or liability will be accepted for the true interpretation on the legal position of the client or other parties;
- (n) no allowance has been made for liability for taxation which may arise on disposal, whether actual or notional, and the valuation does not reflect the costs of acquisition or realisation;
- (o) maintenance of roads and footpaths ex adverso the property is the responsibility of the local authority;

RICS VALUATION STANDARDS

The valuation has been prepared in accordance with the RICS Valuation Standards, 6th Edition except where agreed departures have been made (detailed above) in accordance with your instructions.

In accordance with RICS requirements it is confirmed that the valuer has the appropriate knowledge, skills and understanding to undertake the valuation competently.

STATUS OF VALUER

The valuation has been carried out by me in the capacity of an Independent Valuer who conforms to the requirements of the RICS Valuation Standards, 6th Edition.

VALIDITY

This report may be considered valid for a period not exceeding 3months from today's date or until there is any material change in circumstances, if earlier. In the event of any doubt the matter should be referred back to this office for further consideration.

RESPONSIBILITY

This valuation should only be used for the purpose stated therein, and no responsibility whatsoever is accepted to any Third Party who may seek to rely on the content of this report.



CONFIDENTIAL

Client Ref:
VOA Ref: 1328615 DJH/JS
Date: 10 September 2010



PUBLICATION

My prior written consent will be required for any reproduction or public reference to this valuation and report.

FREEDOM OF INFORMATION

The Freedom of Information Act 2000 or Environmental Information Regulations 2004, and subordinate legislation, may apply to some or all of the information exchanged between yourself and the Valuation Office Agency under this engagement. Therefore the Valuation Office Agency's duty to comply with the Freedom of Information Act may necessitate, upon request, the disclosure of information provided by you unless an exemption applies.

The Valuation Office Agency undertakes to make reasonable endeavours to discuss the appropriateness of disclosure, or the applicability of any exemptions allowed by the Act, with you prior to responding to any third party requests. However, the Valuation Office Agency reserves the right to comply with its statutory obligations under the Act in such manner, as it deems appropriate.

The Valuation Office Agency requires you to make all reasonable endeavours to discuss with us the appropriateness of disclosure, or the applicability of any exemptions allowed by the Act, prior to your responding to any third party requests for information provided to you by the Valuation Office Agency.

David J Herriot BSc (Hons) MRICS
Senior Surveyor
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