HERRON TODD WHITE RURAL

Rural

November 2020

Overview

The rural sector has carried it weight in 2020, proving once again that it's a foundational beam for the nation's economic health.

As we approach the end of the year, we've asked our teams around the country to present a wrap of current market performance, plus a range of the most significant transactions in 2020. These are the sales that have helped define the Australian rural scene over the past 12 months.

Mildura

While the COVID-19 pandemic has created uncertainty for many industries, recent rural sales evidence does not indicate any major detrimental impact on industry outlook and value levels. This is particularly evident in the table grape, almond and dryland cropping sectors.

The key driver of demand and values has been relatively high commodity prices, which were sustained between 2016 and 2019 for most commodities grown in our region. We note that prices for almonds, some table grape and citrus varieties, wheat and wool softened during 2020, attributed to global economic uncertainty and some interruption to freight routes and market distribution channels.

However, buyers appear to be taking a longer-term view, believing that the current pandemic and threat of a China trade war will be short-lived and that global demand will then rebuild.

The table grape sector endured a combination of high water leasing costs during the recent season and a softening in harvest prices, particularly for later maturing varieties. While the cost of leasing water has now reduced to more affordable levels, the lower returns from last season appear to have

CEO'S ADDRESS

It's been an eventful few weeks globally, nationally and here at Herron Todd White.

Firstly, congratulations to the team at our national office on winning the Australian Property Institute's 2020 Innovation in Property award for the development of our Contactless Inspection Tool. It's significant recognition of this game-changing innovation, and we couldn't be prouder.

I'm also delighted to welcome previous Queensland Valuer-General, Neil Bray, to Herron Todd White. Neil has joined us as Queensland Head of Government and Corporate Relations. Neil's experience, reputation and networks are unparalleled, and his appointment heightens Herron Todd White's already formidable leadership role in the industry.

Since our last issue of Month In Review, Australia has remained on the path to recovery, with falling infection rates in Victoria and successful control measures in New South Wales heralding a reopening of borders and freeing up of trade. In fact, Victoria's lifting of restrictions in the past 48hours allowing metro residents to travel unfettered through the state and businesses to increase capacities has brought a huge sense of relief. There are still many milestones to come, but Australia's handling of the pandemic continues to be envied around the world.

Other significant events in October and November were election based.

Queensland's Labour Party comfortably retained government - an outcome predicted by many - and will be at the helm for four more years.

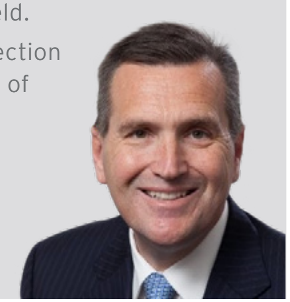
And, of course, the US election has delivered a result with President-Elect Joe Biden receiving widespread congratulations for his win. The world will undoubtedly continue to focus on his response to the challenges facing America in the coming months and years.

And now, on to this month's rural section of the report and it's an excellent frieze of regional property deals.

Our teams have detailed not only a comprehensive summary of recent market performance, but also outlined the most significant and substantial sales across 2020 in the industry.

This is a benchmark document for anyone operating in the rural field.

Please enjoy the rural section of the November edition of Month In Review.



Gary Brinkworth
CEO

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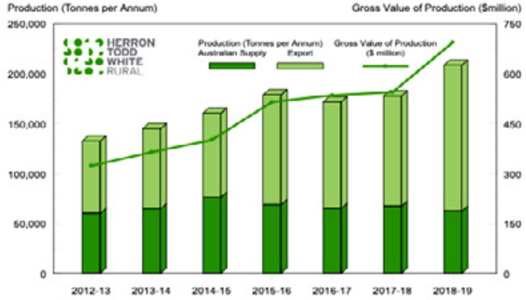
tempered some buyer enthusiasm. At this stage the full impact of the pandemic on table grape vineyard values cannot be known, however recent evidence indicates no diminution in value levels is evident.

The more recent table grape vineyard sales show a relatively wide range of values for favoured varieties (predominantly Crimson Seedless) of between $96,500 and $140,000 per hectare and between $76,600 and $79,743 per hectare for small parcels of vacant development land in the Euston-Robinvale area. The most recent sale involved a $7 million sale at Euston which illustrated value levels at the upper end of the above range for Crimson Seedless.

We also highlight the rapid expansion in plantings of grapes and almonds over the past three to four years, which will lift production over the next five years. The value of greenfield horticultural development sites has now stabilised. While there have been few transactions, there remains good demand when such properties are presented to the market.

The annual change in production (tonnes) relative to the gross value of production ($ million) for the Australian table grape industry is shown in the following table. This table indicates steady growth in both volume and value terms over the period from 2012-13 to 2018-19, with production showing an average growth rate of 7.8 per cent per annum and production value showing an average growth rate of 13.6 per cent per annum.



Source: Hort Innovation

The data shows a solid increase in average prices received, from an average of $24.38 per ten-kilogram box in 2012-13 to $33.28 per ten kilogram box in 2018-19.

Ongoing increases in production are anticipated, with the Australian Table Grape Association predicting a 45 per cent production increase of the three main table grape varieties of Thompson Seedless, Crimson Seedless and Red Globe, over the period from 2017-18 to 2027-28.

The Almond Board of Australia's recently released 2019/2020 Almond Insights suggests a thriving industry with a positive future.

The report illustrates that the area planted to almonds increased from 45,088 hectares in 2018 to 53,014 hectares in 2019. The number of almond trees now totals more than 15.4 million while production reached a record level of 104,437 tonnes in 2019 which is around seven per cent of world production. This production level is set to reach 160,000 tonnes when young plantings reach maturity and produce a forecast $1 billion in farm gate revenue.

The positive outlook is reflected by several recent almond orchard sales.

In September, Select Harvests Ltd announced their purchase of a 1,177 hectare almond orchard at Piangil for $129 million. The orchard was developed to a good standard and had an attractive tree age profile and yield history. Our analysis indicates a rate of $75,000 per hectare for mature trees, which is in line with sales that have occurred in the past two to three years.

In August, a 75 hectare almond orchard in Lindsay Point sold to a nearby almond grower for approximately $5.7 million. Analysis of this sale shows levels of around $70,000 per hectare for trees that were between five and 14 years old with a history of generating good yields. This sale further shows that value levels have remained stable in this sector.

The dryland cropping sector in our region has rebounded after a few years of low capital growth. Favourable seasonal conditions in 2020 have renewed confidence which has resulted in an upswing in value levels. Expectations that interest rates will remain low for the foreseeable future are also fuelling demand for rural holdings. Improved dryland cropping technology and methods have resulted in improved returns (even in more challenging seasons) and firming of values across most districts. This trend is expected to continue provided interest rates remain low and seasonal conditions and commodity prices remain reasonable.

ABARES reports that the winter crop production in Australia is forecast to increase by 64 per cent

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in 2020–21 to 47.9 million tonnes, 20 per cent above the ten-year average in 2019–20 of 40 million tonnes. The area planted to winter crops in 2020–21 is estimated to have increased by 23 per cent from the drought affected season in 2019–20. In Victoria, good rainfall in September and early October is expected to help ensure above average yields in most regions. Winter crop production in Victoria is forecast to increase by six per cent in 2020–21 to around 7.9 million tonnes with the three largest crops being wheat (1.6 million hectares), barley (870,000 hectares) and canola (450,000 hectares).

Confidence in the local area has been demonstrated by the increase in sales activity and value levels which are showing well above pre-COVID levels.

Significant sales in 2020 include the Arkana aggregation at Murrayville which resulted in record levels for dryland cropping land for this area of around $2,470 per arable hectare. We are also aware of two additional major transactions currently being negotiated in this central and western Mallee region that will support the levels of the Arkana sale. One of these transactions involves a large aggregation which will set a new benchmark for overall capital value for this locality at between $15 and $20 million.

A number of sales in the Millewa region, west of Mildura, in the early part of 2020 illustrates the confidence in this sector with five farms being purchased by the same family group from the Wimmera region of Victoria. These transactions show firmer values than those seen in recent years, but noting that the Millewa region has lagged behind other regions.

We also note the recent sale of Wild Dog station in New South Wales, north-east of Mildura, which transferred at strong levels for this locality with analysis indicating a rate of approximately $1,125 per hectare for the approximately 3,450 hectares of arable land. This compares to the earlier sale of this property in June 2014, which showed $675 per hectare for the arable land.

Graeme Whyte
Director

Wimmera

It is set to be another excellent harvest for the Wimmera region of Victoria in 2020. The 2020 season got off to a good start with available soil moisture and good plant growth early before drying out quickly in August and September as the crops began to tiller. The area was seeking rain desperately as early crops began to display signs of drying off but, just in time, the clouds opened and provided excellent finishing rain for most crops. Those with hay on the ground have found the past few weeks difficult due to patchy showers and wet ground but this has enabled many farmers to keep dual purpose crops to go through to seed.

On a value front, the past five years have seen property values double in this region from circa $5000 per hectare to $10000 per hectare around Horsham with many market participants unable to see how the land can pay for itself at these levels. The majority of transactions have been off market, neighbour to neighbour sales of smaller blocks of under 600 hectares with limited evidence of larger scale cropping farms selling at these levels. Most offerings are being broken up into smaller parcels to sell at premium levels due to the significant local demand. Limited offerings coupled with another great season is likely to push land values to new record levels in this region as farmers push to expand.

Angus Shaw
Commercial & Rural Manager

Cairns

This year has been notable for significant market transactions in the banana and grazing sectors.

The sale of a 258-hectare sugar cane farm near Mareeba for $6.65 million was a notable sale during 2020. The sale is interesting as it was purchased for conversion to Lady Finger variety bananas by a large established coastal banana grower. It is a good example of the continued push to high value crops in the Mareeba Dimbulah irrigation area and away from traditional lower value crops such as sugar cane and mangoes. The sale analysed to around $17,500 per arable hectare ex-structures and ex-water entitlements and was the highest value sale in the Mareeba Dimbulah irrigation area for the year to date. This level of value supports a stabilisation of horticultural land values from the highs of 2016-17, however is a strong show of confidence in the north Queensland banana industry.

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Bananas Source: xgxgxgx

The shift to high value crops in the Mareeba Dimbulah irrigation area is typified by the recent expansion of the table grape industry. Over the past two years, over 100 hectares of table grapes have been developed in the Mutchilba and Dimbulah districts with the fruit filling a profitable gap in the market that is currently supplied by imported US grapes.

Grapes Source: xgxgxgx

The main highlight of 2020 far north Queensland rural market has been the continued trend of rising values for Atherton Tablelands improved grass blocks. The sale of Maalan Park near Millaa Millaa is a good example of this trend. It comprises a 420-hectare ex-dairy farm that sold for $6 million to a north-west Queensland grazier. The sale analysed to around $13,500 per arable hectare ex-structures and ex-water entitlements and was the highest value sale for a grass block on the Atherton Tablelands for the year to date. The sale demonstrated a 30 per cent rise in land values from value benchmarks of 2015-16.

Grazibg Source: xgxgxgx

Danny Glasson
Director

North and North West Queensland

Grazing land property prices have continued to levitate since about March/April this year. Pretty much since COVID 1 kicked in. Current values are in stark contrast to prices being paid a year ago or even four years ago.

The current value rate ranges for various market areas are in the table below.

NQ GRAZING PROPERTY MARKET AREA SCORECARD

2020 to date	Low rate $/ha (acre)	Higher rate $/ha (acre)
Forest breeding	$50/ha ($20/acre)	$195/ha ($80/acre)
Downs - south of the line	$320/ha ($130/acre)	$600/ha ($245/acre)
Basalts	$400/ha ($161/acre)	$580/ha ($235/acre)
Downs - north of the line	$445/ha ($180/acre)	$670/ha (271/acre)
Small grazing - Charters Towers to Mt Surprise	$832/ha ($335/acre)	$1,022/ha ($413/acre)

Discussion in the marketplace is of rapid growth factors in the last year, suggestions being 30/40% and more of an increase this year as compared to the previous year. At this rate of change, in a couple of months, market interest and pricing has been altering rapidly.

Even at these prices, there is strong market demand. Buyers are mostly long-established local families. The catch phrase being, "At these cattle prices and interest rates, these new value rates are cheap".

The market appears to have repriced itself to these new parameters. Confidence is being lifted further by the weekly reports of cattle price records being broken in the sale yards. The storm is being whipped up each week.

When will it end? Or will it? Perhaps the levitation of cattle station pricing is the new norm? Cattle prices continue to be strong and interest rates do not look like they are going to go up for a while.

The rural property market across the south-western Queensland region continues to trade under strong levels of demand from Queensland and interstate buyers.

Only time can tell. However, at this stage, the market sentiment is that these prices will be around for some time.

Meat and Livestock Australia data shows the following for the Eastern Young Cattle Indicator:

- From November 2017 to January 2020 – EYCI hovering between 477 to 521 c/kg;
- March 2020 – levitation occurs;
- From March to October 2020 – EYCI has ranged from 701.5 to 799 c/kg and sale yard records are breaking.
- This is a circa 40% levitation of the cattle market.

This is coincidental with the rainfall in Southern Queensland, Central and Western New South Wales and into Victoria.

With La Nina now reportedly active, grazing property market sentiment can only remain positive until either the seasonal conditions reduce, cattle market prices soften or interest rates rise. At this stage, word is that interest rates will not be the issue.

Roger Hill
Director

Darling Downs

The rural property market across the south-western Queensland region continues to trade under strong levels of demand from Queensland and interstate buyers. Strong cattle prices continue to underpin grazing land prices with properties carrying good bodies of feed, quality water and fencing improvements keenly sought after. The low cost of money has enabled landholders to seek out additional country to provide scale or diversification of country and weather patterns.

Early season rainfall set up strong prospects of a good wheat crop, however some areas have suffered from little rainfall over subsequent months which may significantly impact crop yield and quality.

Agents are reporting strong interest in quality properties with lower levels of enquiry for smaller, secondary holdings.

Broadacre holdings with water assets are highly regarded in the current market with corporate interest and larger private families driving this sector. Evidence of a buoyant market is represented by the following recent sales across the south-western Queensland region:

- Welltown, Bungunya circa $30 million
- Manus, Goondiwindi circa $10.25 million
- Wallanba, Westmar circa $9.5 million
- Moombah, St George circa $8.1 million bare
- Terrica, via Stanthorpe circa $14 million
- Tomoo, Mitchell circa $9 million.

Wallanba Source: HTW


Terrica Source: HTW

The rural property market is considered very strong despite the impacts of Coronavirus, however a stabilisation in demand should be expected at some point in the foreseeable future. Weather and cattle and commodity prices will have an influence on how long this level of activity will continue.

Bradley Neill
Director

Desert Uplands

The Desert Uplands region of Central Queensland comprises a mix of land systems, suited to breeding and growing, with some limited fattening ability.

The three main land types vary from poor quality deep sands into broken rocky residuals, fair quality box/ironbark forest and better-quality forest or gidyea/brigalow scrubs in alluvial areas.

Historically, the whole region has suffered from a perception of comprising poor quality country that is phosphorus deficient. While there certainly are areas of inferior quality grazing lands, the fair to better quality forest and scrub lands have generally been improved with the introduction of improved pastures and the widespread use of supplementary feeding.

The poor-quality forest areas are generally grassed with spinifex, with areas of heartleaf poison, and comprise low carrying capacities, in the range of 20 to 30ha/AE.

Recent sales show a range of values from $1750 to $2300/AE, depending on location and infrastructure.

Fair quality box/ironbark forest country is typically grassed with spinifex, forest Mitchell and Kangaroo, with improved Buffel and Stylos now predominating in the developed areas.

Carrying capacities vary from 12 to 18ha/AE, in remnant forest, and 7 to 10ha/AE in developed/improved forest country.

Market data varies, depending on the level of development, but recent sales show from $2800 to $4000/AE.

The better quality gidyea/brigalow scrub country has usually been developed to improved pastures, with carrying capacities in the range of 4 to 6ha/AE. Recent sales show a range of $5000 to $6200/AE, depending on location and standard of infrastructure.

Chris Dyer
Property Valuer

Echuca/Deniliquin

An excellent autumn break plus reasonable winter and spring rainfall has set the area up for a well above average cereal harvest.

The overall result of this confidence in regard to seasonal outlook in the area has translated into a rising market.

Elders Real Estate have auctioned six properties since 1 September 2020 in the Berrigan/Finley area in the Riverina region of southwest New South Wales. The properties have all sold at auction with prices ranging from $5000 to $7500 per hectare, with most in the $5000 to $6500 per hectare range.

The properties have all been sold to local farmers who are considered the key driver in the marketplace, with the level of confidence driven in no doubt by the promising season, and the general outlook of low interest rates for the foreseeable future.

In 25 years of operating in the area I would estimate that the success rate of auctions in that time would be about 33 per cent. The clearance rate of 100 per cent, while only for six properties, is amazing and reflects the high degree of confidence in the rural sector.

The talk about the place makes one wonder whether we are in a "bubble" in regard to rising land values, given that anecdotally terms of trade/profitability (excluding capital growth) remain largely unchanged.

John Henderson
Director