

Rural





### Overview

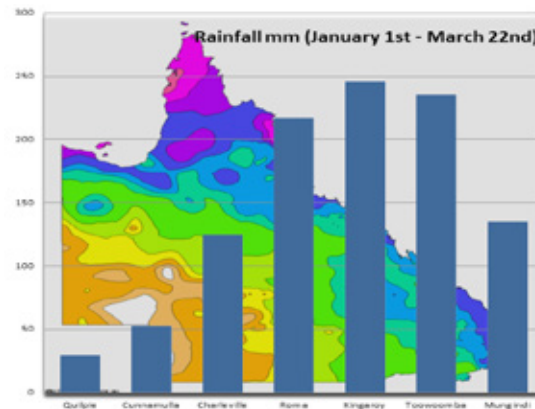
Activity throughout the rural market has predominantly stayed the same, however, recent substantial rain has lent a helping hand to certain areas.

### Darling Downs

The Southern Queensland market continues to exhibit strong market signals broadly across the region. The demand has been exceptionally strong for assets that demonstrate quality country, scale and position. The golden triangle between Roma, Taroom and Wandoan has continued to show strong demand from broader market interests but particularly local graziers seeking additional country. The locality was one of the first to show the firming in market trends post the 2008 downturn, demonstrated by the likes of Windrush which sold to a neighbour in mid-2015 reflecting \$2,655 per hectare. In the past month we have seen the two strong auction results being:

- Two Up, a 1,054.65 hectare mostly Brigalow scrub holding with five kilometres of frontage to the Dawson River. The property contracted under the hammer to a local grazier for reportedly \$3,935 per hectare (\$1,592 per acre);
- Myola, a 1,409.24 hectare holding to the south of Wandoan within the Gulugaba district, being a dominant Brigalow, Belah with softwood scrub influence, was contracted under the hammer for reportedly \$3,760 per hectare (\$1,522 per acre).

Both blocks were considered to appeal to a wide market segment of landholders wanting to move into better quality finishing country. Alternatively, the holdings were of a scale that could be absorbed into an existing local grazing operation.



The rain prior to the auctions has no doubt improved their saleability given the significant dry periods prior. The rain over the past month has the potential of creating sub area markets have given we are now leading into cooler and traditionally drier periods. This is because the rain was not as widespread as some may think. With most seasonal events there are winners and there are those who miss out.

Unfortunately, the south-western area of the state has not shared in the same volume of rain, especially in comparison to their northern neighbours. Rain has

been particularly patchy in the districts generally west and south of Charleville.

For those thinking there was going to be a rush of listing for country in the west, we don't expect to see any significant run of country hitting the market. We are aware there have been some potential vendors waiting for an improvement in seasonal conditions that may now take the opportunity to list. An interesting trend for 2017 actually saw a 350% increase in the sales rate within the Paroo Shire, albeit from a low base.

In the area, we have seen a number of larger corporate companies exiting the market and these properties primarily acquired by local and interstate grazing operators.

In this market, we have also observed a number of speculative special interest purchasers who have acquired country at a premium with the sole intention of establishing a carbon project. Within the Paroo Shire alone there have been some 1.055 million Australia Carbon Credit Units (ACCUs) issued by the Australian Government Clean Energy Regulator through 39 projects. The projects in the Shire are all registered under the permanent native forests through assisted regeneration from in-situ seed land use modelling. The methodology effectively promotes the revegetation of the lands by reducing stocking pressure. In most cases, the existing grazier has opted to encumber part of their property (circa 10% to 30%) to access cash flow through the sale of



ACCUs over normally a contracted term of ten years. On the other hand, we have seen cases where the country has been purchased by specialist interest purchasers who want to fully realise the cash flow benefits by registering a project over a larger area and some encumbering the whole property. Whilst the contracted sequestration of carbon is achieved, there is the significant financial benefit. However, by registering such agreements, there is a legal liability incurred plus ongoing management of the carbon project over its permanency period which can be either 25 or 100 years. The question that should be considered when either entering into these agreements or buying a property with a project is what impact the project has on the asset. There is likely to be a reduction in the productivity but there may also be liability risks incurred as well as the cost to manage the carbon area or project over the permanency period.

How the market treats encumbrances created by a carbon project on a grazing business is currently uncertain and won't be fully qualified until the contract period expires. When this occurs there will be less focus on the short-term financial benefits and a greater consideration of the ongoing impacts and costs to the business operation without a financial return. In this modern age, there is no such thing as free money.

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### Darwin

The first pastoral sale in the NT for 2018 has occurred with "Maryvale Station, 3,244 square kilometres, settling late in March. Located approximately 120km south of Alice Springs with good access via Maryvale Road, "Maryvale" has around 5.5 percent Hugh and Finke river (ephemeral) frontage country, around 35 percent undulating stony/clay/limestone country (oat grass, short grass etc) and the balance mainly desert country (Mulga, spinifex etc).

The deal settled late in March for \$15M WIWO with around 9,500 to 10,000 head (Brahman/Hereford) and was acquired by an established local pastoralist whose continued pastoral expansion over the last decade or so indicates a strong faith in the reportedly increasingly profitable Alice Springs cattle industry which appears to be consolidating on its growing reputation for lower cost operations, compared to the northern half of the NT, and diverse choice of markets to most points on the compass.

Also, the Bohning cattle yards just south of Alice Springs (first saleyard in Australia to be certified under both the National Certified Organic and USDA National Organic programs) is attracting pastoralists who want to go organic in order to capture significant sale premiums (20 percent +) and this also appears to be underpinning sustained demand for Alice Springs pastoral country.

While current asking prices for a fair proportion of pastoral country in the north of the NT appears to be attracting less interest (ie. perhaps vendors may need to be a bit more price realistic in order to achieve a sale) land in Alice Springs remains as tightly held as ever.

In the north we note the new listings of "Mt McMinn" (809.6 sqkm: Roper District) and "Margaret Downs" (607.7 sqkm, Sturt Plateau district) which now add to the following list of stations for sale in the northern half of the NT including:

- "Kalala" (3,760sqkm, Daly Waters)
- "Tarlee" (586sqkm, via Mataranka, Sturt Plateau)
- "Legune" (1,789sqkm plus 1,063sqkm under grazing licence, northern Victoria River District)
- "Middle Creek" (602sqkm, Sturt Plateau)
- "Flying Fox" (895sqkm, Roper District)
- "Kiana" (3,318 sqkm, Tablelands/NT Gulf region),
- "Sturt Downs" (Perpetual Crown Lease, 678 sqkm, Katherine/Sturt Plateau)
- "Tanumbirini" (5,001 sqkm Roper Gulf Shire)
- "Forrest Hill" (593 sqkm, Sturt Plateau)
- Consolidated Pastoral Holdings (Northern Territory/Kimberley):
- "Argyle Downs" (702 sqkm, East Kimberley)
- "Carlton Downs" (4,757 sqkm, East Kimberley)
- "Kirkimbie" (2,304 sqkm, VRD)
- "Newry" (2,467 sqkm, VRD)
- "Auvergne" (4,142 sqkm, VRD)



- "Bunda" (1,788 sqkm, VRD)
- "Manbulloo" (3,791 sqkm, Katherine)
- "Dungowan" (4,454 sqkm, Sturt/Central Plateau)
- "Newcastle Waters" (10,331 sqkm, Barkly Tablelands)
- "Ucharonidge" (2,455 sqkm, Barkly Tablelands)

A combination of slowly declining live export steer price (ex Darwin now looking like stabilising around 310 - 320c/kg for the foreseeable short term), along with potential station purchasers who are becoming increasingly more discerning about the type of station they buy - and for a BAV that aligns in some way to productive capacity, and with the significant amount of northern pastoral land now on the market, the next couple of sales are likely to be more telling of whether the pastoral property market (in the north of the NT at least) has peaked.

### Echuca

It's generally more of the same at the moment with a gap in the traffic while growers in the dryland cropping and grazing regions prepare for the autumn break. Supply is tight and properties continue to achieve relatively good prices including two dryland cropping parcels sold in Diggora at a recent auction for \$6,454 per hectare and \$6,926 per hectare respectively with an analysis demonstrating rates of \$6,778 and \$7,390 per arable hectare respectively for well managed lighter soils in a 450 mm rainfall zone. There are also green shoots emerging for the

horticultural and viticultural sectors with improved demand for wine grapefruit and several significant transactions of citrus orchards in progress at the time of writing. We further hear through the grapevine that there has been significant corporate activity in the horticultural and dairy space in recent months though limited details are available at the time of writing.

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### South West WA

Some good news for West Australian dairy farmers as Brownes new international owners are proposing to increase cheese production at the Brunswick cheese factory. The factory has been dormant for a number of years and is now going to be given a new lease of life with a proposed development and upgrade project. This will help with the domestic milk oversupply situation which has been occurring in West Australia for a number of years and will no doubt give those in the industry (especially the Brownes suppliers) some boost in confidence to invest in the future.

It is unlikely that this will have an impact on the local property market in the short term due to the reported hardship faced by some dairy producers over the past decade. This may, however, have a short-term effect on the leasing market for grazing land and could result in an increase in annual rental

rates as producers take a cautious approach to investing in capital.

For those looking to invest in the dairy industry, Dunmore at Scott River is currently on the market with an asking price of \$10.6 million. The property is currently milking 550 cows with 450 followers. The 845 hectares of land is developed with a number of centre pivot sites supplied with a water licence and is located in a 1000 mm rainfall region. Structural improvements include a 60 stand rotary dairy, three residences and sheds including fertiliser storage.

In the wheat belt regions, most producers are getting ready for seeding with what seemed to be a cooler than average summer and summer storms providing good levels of subsoil moisture across a number of regions.

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### Central Tablelands

We see that recent sales include properties at Bylong, Greenthorpe and several at Canowindra that indicate continued strength in the market. These sales show values in line with sales occurring in their respective districts over 2017.

Market activity doesn't seem as intense as it has previously been, however we see a good line-up of listings throughout the area, including at Blayney, Canowindra, Cowra, Crookwell and several at Grenfell



which will help provide a guide to the market's direction.

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### North Queensland

Demand is heating up for forest breeding country in the Burdekin River Valley from the Belyando in the south to Mount Garnet, Einasleigh and Georgetown in the north.

There is a shortage of forest breeding country on the market and there is a market disrupter in the room in the form of the Department of Defence.

As this year progresses, the property clock for this region of North Queensland is likely to rise from the nine o'clock position towards twelve o'clock.



Depending on how the Defence negotiations play out, this market may see record values later in the year. There is a distinct possibility of vendors re-entering the market as buyers with significantly enhanced cash and reduced debt to acquire replacement cattle stations for the ones that they may have just sold to Defence. It will be interesting to see if any of the deals break the springs of the property clock!

There may be some overflow of demand in neighbouring market areas. These may include the Desert Uplands and the Hughenden basalts and the Georgetown, Einasleigh and Mount Garnet areas.

If you can recall the peak of the last property cycle, vendors could sell anything and quickly. Market absorption rate was high, marketing periods were being measured in weeks and the newspapers wrote about standing room only at the auctions.

These market selling conditions may well occur later this year in this particular market area. It may be that the expression of interest marketing strategy replaces the auction room though.

During the peak of the seller's market conditions, the market starts to become naïve as to how hard the country is, what condition the land is, weed status and the economic profitability of the property.

Vendors know this and perhaps there are property owners who will seek to market their property while the opportunity for good prices is around.

The following table provides a run around the ridges of the north and north-west Queensland grazing property market areas:



Market Area	Season / Comments	Market Liquidity	Property Clock Position	Current market value sales rate benchmarks
Coastal grazing	Initially dry, substantial recent rain. <i>Recent years has seen stable market conditions with stable sale values. There does not appear to be an over supply or increase in demand to fuel reasons for change in values.</i>	Initially dry, substantial recent rain.	7 to 8 O'clock	\$500/ha (\$202/acre) for forest country with no improvements. \$1,000 (\$404/acre) to \$7,400/ha (\$3,000/acre) depending on the split of forest to improved pastures.
Burdekin Valley - Belyando, Charters Towers, Pentland, Greenvale to Einasleigh and Mount Garnet	Initially dry, patchy recent rain. Looks like more on the way. Better season in the northern area. <i>There have been few sales since a spate to the south of Charters Towers in 2015.</i> <i>There has been a steady volume of basalt sales to the north of Charters Towers in recent years. There is a lack of forest breeding country on the market. Potential Vendors will be selective as to when they list and how they will market their stations.</i> <i>There is existing buyer demand. Positive increases are being talked about once the Defence acquisitions occur.</i>	Lack of property listings. Liquidity is expected to increase throughout the year.	10 to 12 O'clock	South of Charters Towers - \$165/ha (\$66/acre) to \$470/ha (\$190/acre) bare improved. North of Charters Towers - \$51/ha (\$20/acre) (Granite type eucalypt forest country), \$186/ha (\$75/acre) (mixed average type basalt and some granite forest), to \$374/ha (\$151/acre) (good open basalt).
Desert Uplands	Late, patchy. Good falls in areas. <i>Quiet market area that is often overlooked (produces fat cows with great tasting corned Briskets), yet provides a low operating cost enterprise option with better productivity on the broken country types and creek systems.</i>	Thinly traded market area.	8 to O'clock	\$73/ha (\$29/acre) to \$96/ha (\$38/acre) for desert type forest and up to \$338/ha (\$136/acre) bare improved occurred in the Prairie area with broken black soils mixed with the forest)



Market Area	Season / Comments	Market Liquidity	Property Clock Position	Current market value sales rate benchmarks
Basalts north of Hughenden	Great season. <i>Infrequent market listings in this area.</i> <i>Market eyes are on the offering of Fairlight with good market interest.</i>	Steady with good enquiry at present.	9 to 11 O'clock	Excellent seasonal conditions. Listings are infrequent in this area. Established sale rate range is from \$119/ha (\$48/acre) (mixed basalt and forest grazing country) to \$345/ha (\$140/acre) for good basalts.
Richmond forest	Late and patchy season, light in areas. <i>Listings are infrequent in this area. Reliable rainfall area that also produces great tasting corned briskets.</i> <i>Local demand is strong.</i> <i>Market interest is on Strathpark at present.</i>	Close to Richmond - good demand. Slower market towards Croydon.	9 to 11 O'clock	Last sales were a mix of forest, and downs country at a range from \$227/ha (\$92/acre) improved to \$276/ha to (\$112/acre). No current arms length pure forest sales evidence.
Georgetown, Croydon and Normanton forests	Late season. Patchy - better in the eastern areas. <i>Reliable rainfall area. Market interest in this area increases when southern areas are dry. Demand was strong prior to the recent sell off of cattle and the recent rain events.</i> <i>Demand in the eastern area may stay firm as a spill over of demand from the Burdekin Valley short supply.</i>	Demand was increasing prior to the recent rain events. Demand may have dissipated for the short term.	7 to 9 O'clock	Lighter, sandier Croydon forest ranging from \$41/ha (\$16.50/acre) bare improved to \$215/ha (\$87/acre) bare improved for a mix of basalts, granites and frontage country in good condition.
Richmond/Julia Creek northern downs triangle	Initially dry, patchy recent rain has been of benefit to those who were lucky. <i>Reliable rainfall. Tightly held golden triangle type market area where market listings are rare. Sales are generally privately negotiated. Local demand is high.</i>	Golden triangle. Strong demand.	11 to 12 O'clock	\$308/ha (\$125/acre) to \$326/ha (\$132/acre) to a peak of \$494/ha (\$200/acre) bare.



Market Area	Season / Comments	Market Liquidity	Property Clock Position	Current market value sales rate benchmarks
Downs south of the Hughenden / Cloncurry Tick line	<p>Late and moderate</p> <p>Has been a thinly traded market area. Stable pricing for some years now.</p> <p>Market has priced in the seasonal risk and soil type variations at a discount to the area north of the line since 2009. During the boom the market priced this area up near and equal to the country to the north of the line, however the market rates rationalised quickly after the peak. Late winter rain in 2016 served the northern area well with good herbage and roly ploy as a natural response to prepare the ground for the next rain event. Recent rain has resulted in mixed response. Those who had their paddocks in good condition have had good response.</p> <p>Latest listings are Ardbrin and the Thornhill aggregation. There will be more in the next month prior to the northern weaning muster. There are some quiet negotiations taking place off market for other stations. Because the north of the line country is so tightly held, northern forest breeding graziers have to look to this area for their options for backgrounding country. Expect some good sales activity in the area this year to complement existing value rates.</p>	Has been a low volume market area	7 O'clock to 10 O'clock	\$172/ha (\$70/acre) to \$308/ha (\$125/acre) with a peak at \$331/ha (\$134/acre) bare improved
Gulf	Initially very dry. Some recent showers have been of benefit.	Lack of property listings	9 to 12 O'clock	Tightly held market area where market listings are infrequent. Local and investment grade interest in possible opportunities is strong.
Cloncurry	<p>Late and wet</p> <p><i>Tightly held market area where market listings are rare. Sales are generally privately negotiated. Local demand is high.</i></p>	Lack of property listings	10 to 12 O'clock	Tightly held market area where market listings are infrequent. Local demand for acquisitions is strong.
Boulia	<p>Late and wet</p> <p><i>Thinly traded market. Good season. Stable, long held country. Overlooked market area. Fatten a T bone and chips on a Gidyea Burr.</i></p>	Lack of property listings	7 O'clock to 10 O'clock	\$38/ha (\$15/acre) to \$106/ha (\$42/acre) bare improved.