THE LAND

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HD **Property's bumper year**
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AS IT says on many a packet label at the chemist, "just add water", and the same could be said of the rural property market in 2016. Thanks to the best winter and early spring rains in years across nearly all of eastern Australia, the rural sector has enjoyed a bumper season, providing a timely boost to industry confidence.

Coupled with strong rises in most farm commodity prices (with the notable exception of cereal grains), and the replenishment of key water storages, this confidence boost has fed into rural land demand.

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At the same time, the much-improved conditions have encouraged many farmers to sit tight and enjoy a much-needed lift in fortunes. The net result has been a year-long shortage of quality farm listings, and an upward pressure on prices for all classes of rural property.

Underpinning the positive outlook is the strength of commodity markets. The upward trend began in 2015, and by the beginning of this year the young cattle market indicator was up by a massive 30pc on year-earlier levels, and maintained that lead for much of 2016. At the same time, wool prices started the year some 20pc higher than 12 months earlier (and closed about 11pc higher), while markets for sheep and lambs have remained strong all year.

Against this backdrop, rural land prices have undergone a dramatic catch-up, rising generally by 15 to 20pc across the board (and more in places), following nearly a decade of stagnation.

The trends are evident from Landmark Harcourt's latest "Benchmark" property review. This shows sales of agricultural properties in the 40-100ha, 100-1000ha and above-1000ha categories all declined in volume by about 5pc, while average values rose by 10.4pc, 12.3pc and 36pc respectively (to $400,000, $600,000 and $1.38m).

And these figures apply only to the 12 months ended August 2016, which means they exclude the bumper spring selling season just past, when values took a further lift.

All property agents contacted by The Land reported a shortage of listings, particularly listings of well-located, well-managed farms with good infrastructure.

And while demand from offshore and institutional or corporate investors remains strong, agents say the driving force in the market in 2016 has been established farmers seeking expansion.

A major reason for this, according to Webster Nolan Real Estate principal David Nolan, has been a widespread move "back home" by farmers' sons and daughters who followed the mining boom while farm returns were depressed.

Chris Meares of Meares and Associates says another factor has been the more accommodating attitude of the banks, thanks mainly to the upturn in farm earnings and the consequent lift in yield on loans.

Also influencing the supply/demand balance has been the virtual drying-up of the forced receiver sales which have accounted for many listings in recent years. Landmark Harcourt's Sydney-based corporate sales manager, Phil Rourke, typically handled at least six such sales in past years under receivers' instructions, but this year only one.

At the same time, he said local and offshore institutions were looking more favourably on agribusiness investment as a result of our historically low interest rates, and a more favourable exchange rate.

Agents are generally upbeat about 2017 and confident of the present improved values being maintained, if not exceeded. Mr Rourke said given the fact that rural land values tended to post annual capital growth of 7-8pc over the long term, there was still potential upside in the market.

He said until this year, capital growth had been minimal since 2007, so even though values for grazing land might have risen by 15-20pc in 2016, and cropland by around 15pc, the market was still playing catch-up.

Chris Meares said rural commodity prices would underpin future land price moves, as these would determine bank lending policies, and in turn land values.

While property sales in 2016 have provided many highlights, there were relatively few - in NSW at least - "signature" properties sold. Most of the big ticket activity was in the Top End, where onshore investors have driven most of the action.

Apart from the much-publicised sale of the Kidman empire to the Gina Rinehart-controlled Australian Outback Beef syndicate, there was the Queensland Investment Corporation's purchase of an 80pc stake in Northern Australian Cattle Company, and Kimberley acquisitions by Kerry Stokes.

The biggest rural land sales in NSW mostly occurred "under the radar", led by the Chinese-owned Rifa Salutary's $80 million-plus purchases of "Cooplacurripa" in the Manning Valley and multiple-property aggregations at Warialda and Nundle.

Paraway Pastoral went on a buying spree in northern NSW with the purchases of "Aberbaldie" at Walcha, and in the Inverell district three properties at Graman now badged Burmah Station, and the former Sundown Pastoral properties "Newstead" and "Paradise".

Other significant corporate sales were the 10,000ha slice of Greentree Farming's "Milton Downs" at Bellata to US-owned Westchester group, reportedly for $50m, and the $20m sale of "Deltroit" at Gundagai, to MH Premium Farms.

The 11,000ha Glenrowan Aggregation of 16 properties at Gunnedah has also sold. Marketed by Elders for the Reid family's down-sizing Minnamurra Pastoral Company, it was expected to attract offers in a range of $30-$40m.

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