

Rural Property Market Continues to Boom

Good seasonal conditions throughout the eastern states, parts of Queensland aside one of the biggest winter grain harvests on record and continued low interest rates continue to bolster demand for rural properties, according to real estate and land specialist firm LAWD.

“Operating returns remain strong so it’s not hard to see why people are chasing expansion opportunities in a low interest rate environment, senior director Col Medway, Yass, NSW said.

This year, the biggest movers in rural property have been broadacre, dryland and irrigated farms, he said.

Mr Medway said on a grazing basis if an investor paid \$900-\$1000 a DSE (Dry Sheep Equivalent) for the land, \$150/DSE for livestock and \$100/DSE for plant, equipment and working capital for a total investment of \$1,250/DSE an EBIT (Earnings Before Interest and Tax) of \$45/DSE was very achievable for a well managed business resulting in a 3.5 per cent return on total assets.

Considering the strong uplift in land values over the last five years, operating returns remained strong in historical terms.

Combined with a long-term annual capital gain on the land of around 7 per cent, resulting in the underlying value of the asset doubling every 10 years makes agriculture an attractive investment.

Mr Medway said commodity prices were also generally good. Despite the disruptions to some exports to China, there was a diverse range of other export markets which Australia operated in.

Since its launch in June, LAWD has sold 43 properties including 19 broadacre holdings averaging 564 hectares and 24 lifestyle farms covering 11,000 hectares for \$117 million.

“It’s a great start and the pipeline is looking extremely strong,” Mr Medway said.

This month LAWD has been appointed to handle the sale of two significant dairy farms in Victoria’s south Gippsland region and two grazing properties in the NSW Riverina.

Most sales to date have been in NSW where the team is largely based.

“In 2021 we are looking at expanding our footprint from a very solid base we’ve created from NSW predominantly,” Mr Medway said.

“That will be from Victoria and Queensland first.”

By the end of 2021, LAWD is aiming to have a presence in all Australian states and territories.

In July LAWD had just eight staff, which by Christmas has grown to 18. By the end of January, Mr Medway expects to have another four new appointments.

“We are still looking for good people who share a desire to add value to our clients by marketing and valuing rural property ethically,” he said.

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