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## Farmland Valuations

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We would like to reiterate the preference for farmland valuation supporting evidence, in the following order:

- 1) A Qualified Independent Valuation, or
- 2) A local rural real estate agent appraisal who is familiar with the area, or
- 3) An online assessment.

We will cover the first two listed above as online information can be difficult to obtain.

### *Qualified Independent Valuation (QIV)*

A report from a qualified independent valuer is widely accepted as the most accurate form of farmland valuation, particularly when the property is a significant portion of the fund and is considered complex, as farmland can be. We will accept a QIV every three years, however, the trustees are required to assess the interim period.

The trustees can gather data that supports rural property valuation movement in the area for the interim period, including yield movement, price per hectare/acre and other means to arrive at the 30 June valuation.

### *Real Estate Market Appraisal*

When obtaining a market appraisal from a real estate agent, basic valuation evidence should be obtained to support the valuation of similar properties, such as market value per hectare, market capitalisation of net income, type of land and buildings, and rural infrastructure on the property.

Employing a sample of multiple comparable properties provides a more accurate valuation as individual factors by themselves may have a significant impact on the market value.

Each year the trustee must consider the valuation has not become materially inaccurate. This includes assessing if a significant event has occurred that impacts on the value of the property since the last valuation date. Significant events for farmland may include drought and flood. If the trustees believe there is no identified change in the market value of the property, their annual minute must document their considerations.

From FY2023, the trustee must attach the supporting market data as evidence of their annual assessment. Market value per hectare and net income yield methods can be employed by the trustee in documenting this consideration. However, please note:

- Net income yield for Farmland is not sufficient evidence on its own to support there is no change in the property market value. This is due to the wide variance in farmland yields.

- Given the limitations of the net income yield and market value per hectare method, it may be helpful to combine both methods to provide an accurate picture of farmland valuation. When the two methods are significantly different, it is an indication that more research is needed to complete an accurate valuation.
- Farm pricing varies significantly between different regions due to factors affecting local economies, policy, rainfall, and geographical conditions. Using both methods aims to address situational factors and provide a more equitable assessment of the property.
- Consideration of other infrastructure on the property is required.

The following website is an example of where a trustee is able to obtain comparable sales data:

<https://www.commercialrealestate.com.au/sold/australia/rural-commercial-farming/>