

FINAL REPORT 2018



Muswellbrook LGA Coal Mine and surrounding rural land

Muswellbrook LGA

Contract Area	Muswellbrook
Contract No	152678
Prepared for	Property NSW – Valuation Services
	Under Rating & Taxing Procedure Manual 7.2.1

Opteon

Opteon (Northern Inland NSW)
536 Peel Street
Tamworth NSW 2340

P 02 6766 3442 E tamworth.info@opteonsolutions.com
F 02 6766 5801 W www.opg.net

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Executive Summary

LGA Overview

Muswellbrook Local Government Area

Muswellbrook Local Government Area (LGA) is located in the Hunter Valley Region of New South Wales, approximately 285 kilometres north of the Sydney Central Business District (CBD). The Muswellbrook LGA comprises a land area of approximately 3,400 square kilometres incorporating a number of land uses from smaller rural retreat sites, to mining associated land, to vineyards, to crop cultivation along alluvial flats, to larger broadacre grazing country used primarily for cattle breeding/fattening and equine purposes. Muswellbrook LGA is adjoined by three other LGA's – Upper Hunter Council to the north, Singleton Council to the east and Mid-Western Regional Council to the west.

Number of properties valued this year and the total land value in dollars

Muswellbrook LGA comprises Residential, Village, Rural, Commercial, Industrial, Infrastructure, Environmental and Public Recreation zones.

7,623 properties were valued at the Base Date of 1 July 2018, and valuations are reflective of the property market at that time. Previous Notices of Valuation issued to owners for the Base Date of 1 July 2017.

Valuation changes in the Local Government Area and percentage changes between the Local Government Valuation year of 1 July 2017 and 1 July 2018 are as follows:

Properties Valued and Total Land Value					
Zone	Zone Code	Number of Entries	2018 Total Land Value	Prior Local Government Valuation (2017)	% change
Residential	R1, R5, RU5	5,575	\$ 499,005,555	\$ 496,956,925	0%
Rural	RU1, RU3	1,122	\$ 1,126,941,501	\$ 1,116,453,301	1%
Commercial	B2	266	\$ 53,302,770	\$ 53,139,670	0%
Industrial	IN1, IN2	185	\$ 29,621,500	\$ 29,343,200	1%
Infrastructure	SP2	86	\$ 17,443,900	\$ 17,408,300	0%
Environmental	E3	298	\$ 78,200,600	\$ 78,762,300	-1%
Public Recreation	RE1, RE2	91	\$ 12,404,500	\$ 12,429,130	0%
Total		7,623	\$ 1,816,920,326	\$ 1,804,492,826	1%

Land values in the Muswellbrook Local Government Area overall remained steady between 2017 and 2018. This trend was reflected across all market segments with the rural sector experiencing some smaller increases with continuing strong rural commodity prices despite deteriorating season conditions.

Residential land values have generally remained steady since the previous base date, however with improvements in the coal mining industry providing a positive outlook there were some modest increases to certain areas of Muswellbrook residential though this is yet to reach the entire districts property market.

Commercial land values have been steady with the market remaining stable after years of losses related to the downturn in the coal industry. Sale volumes for commercial property have increased slightly reflecting the stabilizing of Muswellbrook's commercial market.

Industrial land values have remained steady since the previous base date however sale numbers show an increase in demand for industrial properties. This can be attributed to more confidence and recovery in the outlook for the coal industry which supports most industrial uses in Muswellbrook.

Rural land values have generally remained steady including rural lifestyle and hobby farm values with the exception of the larger broadacre holdings and alluvial land which have experienced slight increases. Despite the ongoing drought conditions, strong commodity prices and demand have helped to support the rural market for larger, income based holdings.

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Disclaimer - Purpose of this Report

This report has been prepared on behalf of the Valuer General. The purpose of this report is to provide an overview of the valuation program for the 1 July 2018 valuation in the Local Government Area of Muswellbrook.

To make a land valuation, regard must be had to the requirements and assumptions set out in rating and taxing legislation, such as the Valuation of Land Act 1916 (NSW). Land values are also determined by the rules set out in the 'Rating and Taxing Procedures Manual'. The manual permits large numbers of properties to be assessed using mass valuation methodologies.

Although mass valuation methodologies may be less accurate than individually assessed land valuations, they are routinely used across the globe to deliver land valuations for rating and taxing purposes that are within an acceptable range of variation. Consequently, land valuations from the Valuer General may vary from an individually assessed market valuation for a parcel of land. All land valuations are, however, subject to a risk based verification process which ensures each parcel of land is individually reviewed periodically.

Whilst the content of this report has been prepared with all due care and skill, the Valuer General does not warrant that it is complete or free from error.

During the valuation process, information is compiled from third party sources, such as information relating to town planning, land use, zoning and other market related information. The Valuer General is not responsible for, and makes no warranty in relation to, the accuracy, currency, reliability or completeness of that information. Readers are directed to contact the source of the information.

The land values made in accordance with the valuations program have been made for rating and taxing purposes only, therefore, the land values should not be used for any other purpose. No reliance should be made on the contents of this report. To the extent permitted by law, the Valuer General disclaims all liability to any person(s) who relies on, or uses, any information contained in this report.

More information on the valuation process is available from the Valuer General's website at www.valuergeneral.nsw.gov.au/land_values.

LGA Overview

Location of the District

Muswellbrook LGA area is located in the Hunter Valley Region of New South Wales, approximately 285 kilometres north of the Sydney Central Business District (CBD). The Muswellbrook Shire Council comprises a land area of approximately 3,400 square kilometres incorporating a number of land uses from smaller rural retreat sites, to mining associated land, to vineyards, to crop cultivation along alluvial flats, to larger broadacre grazing lands used primarily for cattle breeding/fattening and equine purposes. Muswellbrook LGA is adjoined by three other LGA's – Upper Hunter Council to the north, Singleton Council to the south-east and Mid-Western Regional Council to the west.

Principal Towns and Villages

Muswellbrook

Muswellbrook is the principal town in the Muswellbrook LGA. It is located approximately 40 kilometres north-west of the Singleton CBD and 150 kilometres south of Tamworth CBD. The Central Business District of Muswellbrook fronts Bridge Street, with the major cross streets of Williams Street and Turanville Avenue. It features a single large commercial complex being Muswellbrook Marketplace which features a supermarket and numerous franchisees and specialty shops.

Muswellbrook has full utility services available including reticulated town water supply, reticulated sewer and telecommunication services. A range of Government Departments and services are also available including Police Station, Court House, Ambulance Station, Fire Station, SES, Council Chambers and Library.

Community based facilities available in Muswellbrook include a golf course, numerous sporting clubs, recreational playing fields, parks and reserves, showground, racecourse, a public swimming pool, and tennis courts.

Denman

Denman is the second largest town in the LGA and is located approximately 25 kilometres south-west of Muswellbrook with a population of 1800*. Denman provides general services to the surrounding area with a small commercial precinct comprising a supermarket and a number of small businesses, Denman Multi Purpose Service (Hospital), two schools, sports centre (including pool and tennis courts) and police station.

Denman has full utility services available including a reticulated town water supply, reticulated sewer and telecommunication services.

Sandy Hollow

In addition to Muswellbrook and Denman, the LGA also has the small village of Sandy Hollow within its boundaries. Sandy Hollow is located approximately 16 kilometres north-west of Denman, and 41 kilometres west of Muswellbrook. The town has a small school and a general store, providing basic amenities for its estimate population of 400*.

**Populations are based on 2016 Census data which including surrounding rural locality.*

Main Industries

Muswellbrook is a prominent regional centre with major industries including coal mines and power/energy generation. Liddell and Bayswater Power Stations are both located in Muswellbrook LGA.

Mining activity in the Shire has created many mine service industries which drive demand for industrial land.

Significant Retail Centres

Muswellbrook Central Business District provides the main retail centre for the Muswellbrook Council region.

In the CBD there is Muswellbrook Marketplace with major tenants including Big W and Woolworth and a number of specialty stores; as well as Campbells Corner with IGA supermarket as the anchor tenant. The commercial precinct along Bridge Street also features a number of large national tenants, many individual shops and offices including government departments.

In south-east Muswellbrook in Rutherford Road/Woolybutt Way there is a neighbourhood commercial and bulky goods development which includes the Muswellbrook Fair Shopping Centre and Aldi Supermarket.

Types of Residential Development

Residential development in Muswellbrook ranges from federation and colonial styles in central locations; 1950's government-built dwellings located in central south; 1970's brick veneers predominantly situated in north and south Muswellbrook in conjunction with modern brick veneer dwellings in North Muswellbrook and Eastbrook Estate areas.

Approximately 61% of properties in the region are owner occupied, 32% are owned by investors and 7% are government owned dwellings.

Rural

Beef cattle breeding and fattening is the most common agricultural pursuits within Muswellbrook LGA. Crop cultivation is present, but generally confined to the alluvial flats.

Extensive Hunter River and Goulburn River flats run through Muswellbrook LGA as well as numerous creeks which provide extensive areas of alluvial country. Alluvial flats are predominantly utilised for cultivation purposes however equine and grazing is also common. The extensive vineyard plantings which became popular in the Upper Hunter Valley during the late 1990's have ceased with the dissolution of advantageous tax breaks and nationwide wine glut affecting supply contracts and overall demand. Numerous vineyards located on alluvial river flats have sold with the purchasers removing the vines.

Mining Companies continue to be purchasers in the Muswellbrook rural property market with purchase prices reflecting high premiums for these 'special interest' purchases. However with the mining construction/expansion cycle mostly completed, these purchases have slowed.

Rural retreat home sites occupy much of the poorer quality land within the district, particularly around the Sandy Hollow and Giants Creek localities where the relative isolation/privacy and the natural bushland settings are attractive features to the 'lifestyle' market.

State & Local Government Legislation for LGA

The Muswellbrook LGA is governed by the Muswellbrook Local Environmental Plan 2009 (LEP) which was gazetted on 17 April 2009. There have been no amendments to the LEP since the previous valuation.

The plan is based on the standardised Local Environmental Plan prescribed by the New South Wales Legislation.

The Plan aims to make local environmental planning provisions for land in Muswellbrook Local Government Area in accordance with the relevant standard environmental planning instrument under section 33A of the EPA Act.

Muswellbrook Shire Council has development controls including the Muswellbrook Development Control Plan 2009 that affects the subdivision and erection of dwellings which impacts on land values. These include:

Zone	Minimum Allotment Size
Residential/Village	600m ² (R1) 4000m ² (R5) 750 m ² (Denman RU5) 2000m ² (Sandy Hollow RU5)
Rural/Forestry	80ha (RU1) Council Consent required(RU3) 80ha (E3)
Business	Council Consent required (B2)
Industrial	1000m ² (IN1 & IN2)

Market Overview & Sales of Particular Interest

Opteon Property Group (OPG) as Contractors has undertaken significant analysis of the Muswellbrook LGA market to provide an accurate and reliable basis of valuation. Approximately 378 sales have been analysed to enable the establishment and verification of land values as at 1 July 2018. These analysed sales also support the grading across components. Analysed sales reports are provided to Property NSW – Valuation Services on a consistent basis throughout the year. The added value of improvements are also analysed to enable the accurate deduction of land values. OPG Contractors undertakes this process using the Paired Sales Approach and the Written Down Replacement Cost Approach, with the Replacement Cost Method used when appropriate.

In analysing sales before or after 1 July it is necessary to adjust the contract price in terms of market movement.

Sales which do not have market circumstances including sales between related parties and company transfers, have not been utilised when assessing market changes and determining land values.

General economic factors (including international exchange rates, economic growth and interest rates), commodity prices and climatic conditions strongly influence the Muswellbrook property market.

Residential

The Muswellbrook LGA comprises approximately 4,831 residential zoned properties.

The residential market had approximately 270 market sales throughout Base Date 2018 with 83% of all sales analysed.

The region's substantial reliance on mining related industry and employment continues to expose the local economies to the risk surrounding this sector. However, the outlook is generally more positive with stronger coal prices and new mine announcements being made.

There has been a significant increase in sale volumes resulting in modest increases to some residential areas of Muswellbrook, however this is yet to reach the entire districts property market.

Nevertheless, given the lack of diversity within the town economy, coupled with the uncertainty surrounding the area's primary industry long term, a degree of risk is still associated with Muswellbrook's property market in relation to the maintenance of current sales prices and future market stability.

The value levels adopted are supported by both vacant and improved sales analysis.

In the last twelve months there were eleven residential sales over \$600,000 compared to four last year. The majority of these sales were single occupancy large lot residential properties on the south eastern fringe of Muswellbrook town and in Woodland Ridge Estate approximately 7 km east of Muswellbrook. There was also the sale of a vacant englobo site located along the New England Highway with additional access off Day Street on the south eastern fringe of Muswellbrook town.

Village

The Muswellbrook LGA comprises 744 village zoned properties throughout the Shire.

The village market had approximately 43 market sales throughout Base Date 2018 with 89% of all sales analysed.

Sales activity has increased since the prior base date however the vast majority of sales over this period support current land values. The Villages of Denman and Sandy Hollow, including Denman large lot residential and englobo land have experienced steady values since the previous base date.

Muswellbrook villages are typically impacted by proximity to mining works in the area, housing affordability compared to Scone and Muswellbrook Townships, and the general mining industry outlook.

The value levels adopted are supported by both vacant and improved sales analysis.

There were no village zoned sales over \$600,000 in the past 12-month period, down from two in the previous year.

Commercial

The Muswellbrook LGA comprises 266 commercial zoned properties.

The commercial market had approximately 14 market sales throughout Base Date 2018 with 100% of all sales analysed.

Commercial land values have been steady with the market remaining stable after prior years losses related to the downturn in the coal industry.

Sale volumes for commercial property have increased slightly compared to previous years which were consistently low due to the downturn in the coal mining industry. However, after several years of reducing land values, the commercial market of Muswellbrook stabilized in 2017 and remained consistent to the 2018 Base Date. Sales evidence, rental evidence and resales available demonstrate a stabilising in the Muswellbrook commercial market. Whilst there have been a limited number of sales, those which have occurred support the adopted 2018 land values.

The value levels adopted are supported by both vacant and improved sales analysis.

In the commercial market there were two market sales contracted above \$1,500,000 since the prior Base Date including:

- The sale of a fast food investment property which sold with long term national tenant in place showing a net yield of 5.85%; and
- A vacant, three story commercial building requiring some refurbishment located on Bridge Street in Muswellbrook.

Industrial

The Muswellbrook LGA comprises 185 industrial zoned properties throughout the Shire.

The industrial market had approximately 14 market sales throughout Base Date 2018 with 100% of all sales analysed.

Sale volumes for industrial property have increased compared to previous years which can be attributed to more confidence and recovery in the outlook for the coal industry following increased coal prices and some expansion/new mines proceeding, supporting most industrial land uses in Muswellbrook. While demand has increased, the vast majority of sales over this period show either no market movement or slight increases only.

In the industrial market there were three market sales contracted above \$800,000 in the last twelve months including

- sale of a leased industrial premises showing a return of 25% on the reported net rental;
- partially leased industrial property with no registered leases however return of 15% on the agents reported potential fully leased net income; and
- the sale of an industrial property with a multi-national tenant in place showing a return of 8.15% on the passing rent.

Rural

There are 1,420 rural and environmental management zoned properties located throughout the Muswellbrook LGA.

There were 45 rural zoned sales considered to be reliable market indicators recorded and analysed during the 12 month period, and this comprised 13 larger broadacre farming and grazing properties or alluvial land, and 32 generally smaller properties being lifestyle, rural retreat, farmlet and rural residential type properties. This correlated to 100% of all rural sales being analysed.

The volume of sales available in the Muswellbrook rural residential, lifestyle, and hobby farms sectors has increased since the 2017 Base Date, however the vast majority of sales over this period support a maintaining of rural values or only a slight increase.

Rural land values have generally remained steady with the exception of the larger broadacre holdings and alluvial land which have experienced slight increases. Despite the ongoing drought conditions, strong commodity prices and demand have helped to support these rural markets compared to the lifestyle and hobby farm market where demand has remained steady.

The value levels adopted are supported by both vacant and improved sales analysis.

In the rural broadacre market there were six market sales which contracted above \$1,500,000 (that were non-mining related sales) since the prior Base Date, up from two the year before:

- Large holding in the rural locality of Baerami comprising arable to undulating grazing to timbered mountains with an area of 1,254ha, showing analysed land values of between \$3,351/ha and \$4,189/ha for grazing and \$704 for timbered county with significant structural improvements;

- Large holding in the rural locality of Bureen comprising irrigated alluvial river flats, arable grazing and timbered hills with an area of 353 ha, showing analysed land values of between \$7,833/ha and \$8,294/ha for grazing and alluvial flats and \$820 for timbered county with significant structural improvements;
- Thoroughbred stud in the rural locality of Baerami Creek having significant improvements and comprising arable to timbered grazing with an area of 76.63ha, showing analysed land values of between \$6,645/ha arable slopes and \$2,205 for timbered grazing;
- 114ha sale located at Dalswinton comprising alluvial land which showed an overall analysed land value of \$9,598/ha;
- 230ha sale located at Martindale comprising alluvial flats to sloping grazing land, showing analysed land values of \$7,033/ha for alluvial creek flats and \$3,216/ha for undulating grazing; and
- 92ha sale located at Denman comprising alluvial land which showed an overall analysed land value of \$7,755/ha with significant structural improvements.

In the lifestyle/small holding market there was only one market sale contracted above \$800,000 since the prior Base Date. This 87ha hobby farm sale is located in the Muscle Creek locality approximately 15km north east of Denman showing an analysed block value of \$6,068/ha.

Significant Issues and Developments

Significant Developments – From Prior to Current Annual Valuation

There has been limited significant developments or applications for developments in the past twelve months. Significant developments of note include –

- Proposed demolition of a commercial building and the construction of two buildings on the corner of bridge and Hill Streets, Muswellbrook;
- Approval for telecommunications tower at on Hassall Road, Muswellbrook;
- Approval for modifications to Mount Pleasant Mine to the west of Muswellbrook including extension of the life of the open cut mine to 2026; and
- Approval for upgrades to Bayswater Power Station Water Treatment Plant to improve water Treatment Plant performance.

Significant Value Changes

Significant Values Changes – From Prior to Current Annual Valuation

There have been some significant changes due to verification since Base Date 2017 which are summarized below:

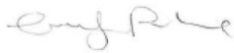
- A number of Muswellbrook rural properties have experienced changes in value, with some strong increases to better reflect quality of the country, close proximity to town dwelling entitlements with new imagery assisting in reviews of these features and current market sales analysis. Some strong reductions in rural land values also occurred to reflect lack of building entitlements.
- Several residential sites in Muswellbrook town were increased after sales evidence showed that these sites were previously too discounted for slope.
- One property in Denman was reduced to better reflect restrictions of heritage listing.

Overview of the Quality Assurance Process

PNSW has been provided with a detailed valuation analysis reporting, which details the Quality Assurance Process of Opteon as Contractor and outlines that the Verification process and certifies that Land Values meet all Statistical Measures and Component Data Analysis. In addition, a Quality Statement and lists of high value and high risk properties is also provided in the Valuation Analysis Report. Checks have been undertaken to ensure that all properties have been valued, land values are consistent with each other, land value basis' have been correctly determined and all concessions and allowances have been supplied. Additionally, properties that had land values amended through the objection or reascertainment process were individually examined to reconcile surrounding land values and ensure accuracy of the grading of surrounding land values. Benchmarks and Reference Benchmarks are core elements of the quality assurance processes and are identified and individually valued in accordance with the Rating and Taxing Procedures Manual Version 7.2.1. Worksheets have been maintained on all properties where calculations are required. We have also ensured that adjustments and assumptions within the market analysis have been based on market evidence and have been fully documented and rationalised.

Authors

Report Prepared by:



Emily Pursehouse
Assistant Valuer



Danielle Zorn (AAPI)
Contract Services Manager
Certified Practising Valuer

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