

# Asset values rise, but region, variety, management and water are the drivers

There's a general upward shift for property prices when it comes to both vineyards and wineries in regions across Australia. But as **Stephen Strachan** – from commercial advisory specialists Langley & Co. – reveals, recent trends have emphasised that several key factors are motivating purchase price.

Vintage 2019 signals another positive year for vineyard and winery sales values, as the Australian wine sector continues to see the benefits of the growth in international wine sales, particularly to China.

Whilst valuations have been rising for some time now in regions such as the Barossa, McLaren Vale and Yarra Valley, the 'rising tide lifts all boats' is finally beginning to take hold across the industry more generally.

However, valuations vary wildly. What is clear is that strong brands sell, and well managed vineyards with the right varieties, with access to water also sell.

At a corporate level, private equity firm The Carlyle Group acquired Accolade Wines in June 2018 for a reported \$1 billion, taking on more than 50 brands across 20 regions throughout Australia. Accolade itself had been acquisitive over the previous several years, purchasing Grant Burge as well as the Lion Group wine brands such as Petaluma and St Hallett to add to their existing stable that includes Hardy's, Banrock Station, Berri and Arras.

Margaret River Wine Production Pty Ltd (controlled by the Fogarty Wine Group) and Laguna Bay provided \$15.8M in working capital to McWilliam's Wine Group in return for equity in early 2019 – this followed the controlling stake in Evans & Tate taken by the Fogarty Wine Group in late 2017.

At a regional level, Barossa Valley vineyards, wineries and brands continue to set the benchmark for values across the country. Driven by the thirst of Chinese consumers for Barossa wines, and investors for Barossa assets, vineyard and winery values continue to rise. Red grape vineyards in good condition are selling for between \$120,000 and \$150,000 per hectare with some sales



exceeding this. Values in the Barossa are still a long way from values achieved in classified subregions of Bordeaux, Burgundy, Champagne and Napa Valley, but nonetheless it continues to go from strength to strength by comparison with Australian historical benchmarks.

As well as vineyards, there has also been some very strong results in the Barossa Valley for winery and brand sales. Cimicky Wines, an outstanding 500 tonne winery with around 20 hectares of red grapes, achieved a very strong result for the Lyndoch subregion, with Charles Cimicky staying on in a winemaking and ambassadorial role. Also in Lyndoch, Burge Family Winemakers was sold in 2018 with both of these Lyndoch wineries selling to Chinese parties.

The sale of Greenock Creek Wines for a reported \$13.1 million was also a strong result for an outstanding brand with a cult following. The sale included a winery, vineyards, inventory as well as a number of accommodation facilities.

In the Adelaide Hills, Mike Press Wines was reportedly sold for \$6.1 million. It

included a 23 hectare vineyard valued at about \$70,000 per hectare in the sale. \$70,000 per hectare would seem to be close to the upper end for Adelaide Hills vineyards up to this point at least.

McLaren Vale vineyard sales values are consistently seeing valuations at or above \$100,000 per hectare for established and well-run red grape vineyards. The Angel Gully Vineyard in Clarendon, Nashauk and Hunt Road Vineyards were all sold for around \$100,000 per planted hectare, excluding crop and other improvements. The sale of the Imprimata vineyard at Seaview exceeded \$150,000 per hectare, although positioning of this vineyard carried a good lifestyle premium.

The Clare Valley has seen substantial activity over the last 12 to 18 months. The sale of Quelltaler/Annie's Lane to the Randall Wine Group along with the Tullymore and Dunns vineyards to Casella, and Kirribilly II to Kingston Estates demonstrates that astute buyers are identifying premium vineyard opportunities at significant discount to Barossa and McLaren Vale valuations. ▶



Stephen Strachan.

These activities are lifting values across the region, however valuations are still well below those in the Barossa and McLaren Vale. The recently-announced sale of the Knapstein winery and vineyard portfolio will be the next test for valuations in the region, with vineyard values expected to top \$60,000 per hectare. Added to this, the development of significant water storage infrastructure by the Randall Wine Group is signalling at least one investor's optimism for the region and the potential that can be achieved in the region if water is able to be affordably secured.

In the Yarra Valley the 8 hectare Hillcrest Vineyard with a small winery, residence and guest accommodation was purchased for a reported \$4.6 million. The vineyard in Woori Yallock is in the Upper Yarra, the most sought-after and tightly-held part of the Yarra for those seeking out the coolest sites for very high quality Chardonnay and Pinot Noir table wines. Vineyard values in this part of the Yarra Valley are comparable to the best of the Barossa with sales trading well above \$100,000 per hectare.

Nearby in Seville, Wild Cattle Creek Estate sold for a reported \$8.5 million and closer to Healesville, Badger's Brook was sold for an undisclosed sum. All three properties were sold to Chinese parties, demonstrating the strong recognition

of the Yarra Valley and its wines with Chinese buyers.

**“The dramatic increase in water cost since the last vineyard boom is ultimately working against vineyard values increasing substantially, and is the reason why we are still not seeing widespread new vineyard plantings in the warmer regions.”**

The sale of Rutherglen Estate to DeBortoli Wines represented astute buying by DeBortoli, with more than 200 hectares of mostly red grape vineyard, a 3000 tonne winery and brand and inventory for an undisclosed figure. Rutherglen Estate had previously been sold to the Chinese vendor about five years previously.

In Margaret River, Vasse Felix acquired Watershed Premium Wines for a reported \$18.5 million, which included 80 hectares of vineyard, a winery, cellar door and restaurant. The brand and inventory was retained by the vendor

and will continue to be sold from the site for two years. The 37 hectare Palmer Brockman Rd vineyard was acquired for \$7 million by a Singaporean buyer. This vineyard is surrounded by some of the highest profile wine producers in Margaret River including Howard Park, Vasse Felix and Cullen.

At the commercial end of the spectrum, values in the Riverland and Murray Valley have pushed through \$30,000 per hectare, excluding water, for good quality vineyards with a predominance of red grapes. The sale of the Millewa Vineyard at Cullulleraine (Near Mildura) for \$16 million to the ASX-listed Blue Sky Alternative Investments on behalf of the Canadian Public Sector Pension Investment Board was for 370 hectares of vines and significant other land, which values the vineyard at approximately \$40,000 per hectare without water. The vineyard acquisition was back-to-back with a long-term lease to an Australian wine company.

Whilst commercial vineyard values are rising in the warm inland regions across Australia, these values do not yet represent the cost to set up comparable vineyards in the same regions. With the cost of permanent water increasing recently to more than \$5000/ML (with some recent sales above \$6000/ML), the combined cost of vineyards and water is a better indication of the capital outlay required to produce a hectare of winegrapes which approximates \$65,000/hectare or more for better quality vineyards. The dramatic increase in water cost since the last vineyard boom is ultimately working against vineyard values increasing substantially, and is the reason why we are still not seeing widespread new vineyard plantings in the warmer regions.

Water pricing is not only an issue in the inland regions. The dry conditions throughout Australian viticulture over the past 12 months, combined with the hot conditions this summer, have shone a light on the vulnerability of many of Australia's viticulture regions to water, or the lack of it. More than ever, water security and entitlements are featuring prominently in the decisions of purchasers when they are acquiring vineyards, no matter which region they are in.

**GW**