

Otago & Southland Market Overview Colliers International

Rural & Agribusiness



Accelerating success through global synergy.

Who turned the volume down?

A noticeable trend has emerged with a reduced number of sales of rural properties over 50 hectares in size. This decrease has been pronounced over the past three years across the wider South Island region including Otago and Southland due to a number of drivers in the rural market.

The most public would appear to be reduced liquidity as a result of Reserve Bank requirements for our banks to hold more capital.

While money is available, increased banking covenants are deterring some buyers. Also, increased environmental compliance from recent plan changes and the Government's announcement around the proposed Freshwater policy are requiring farmers to be more diligent around land purchases and what their farm may be able to carry in the future.

On a more positive note, strong farm product prices and record low interest rates are a positive sentiment in the rural sector. The forecast of +\$7/kgMS payout from Fonterra is also cause for some optimism that will hopefully lead to increased sales activity.

This local market sentiment is being borne out nationally also with latest REINZ rural reports signalling a plateauing median land price per hectare; a lengthening in the days on the market and a corresponding reduction in total sales in recent months.

Notwithstanding the above comments, the sales that have occurred are still at encouraging levels although it would appear the market is starting to differentiate between Tier 1, Tier 2 and Tier 3 farms.

Sale Analysis				
Sales over 50ha 1 st Sep - 31 st Aug	2019	2018	2017	2016
Otago	63	82	90	103
Southland	58	96	89	108
Total Number Sales	121	178	179	211
Total value of sales				
Otago	179m	222m	273m	338m
Southland	221m	310m	274m	493m
Sales over \$5 million				
Otago	10	14	17	14
Southland	13	14	9	8
Sales over \$10 million				
Otago	-	-	1	4
Southland	2	3	3	11

Source: REINZ

Market Observations

Horticulture and Pastoral Trends

Like pastoral farms, horticulture sales (including viticulture) have also seen a dramatic reduction in activity since 2017.

Otago	2019	2018	2017
Horticulture Sales	14	19	38
Pastoral Sales	62	79	84

Southland	2019	2018	2017
Dairy Sales	15	16	23
Other Uses	43	80	66

Sales Activity

Sale volumes regardless of sector, have dropped in both Otago and Southland over the past three years. However we are aware of six dairy farm sales in Southland that confirmed in the last months of 2019 (including a portfolio of three dairy farms) and understand activity is extending into early 2020 with more properties currently under offer or in the final stages of negotiation.

This is higher than the volume of sales in the region during the months of December and January historically.

In the horticulture property market we are also noticing an increase in recent activity with a flurry of orchard/bareland sales in the Cromwell basin late 2019, as well as a number of vineyards sold or under contract.

Buyer Profile

The buyer profile in Otago and Southland for pastoral farms largely remains local farming entities looking to upscale, add to their portfolios or position themselves for succession although corporate farming groups still have some presence in the market.

It is becoming apparent that with fewer buyers in the market and values having eased overall, purchasers are becoming particularly discerning when it comes to the physical features of a property. Farms, orchards and vineyards alike that are selling and attract interest from the buyers still active in the market tend to be higher quality 'A Class' assets. They feature quality soils, a good location and not require major capital expenditure. The more marginal properties, with limited alternative uses, run down or with detracting features tend to be more difficult to sell and may require a lengthy marketing period.



Current Listings



190 Ripponvale Road,
Cromwell, Central Otago
For Sale by Negotiation
Horticulture/Lifestyle



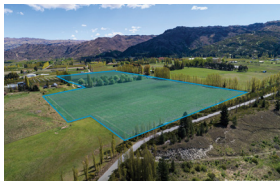
932 Earnscleugh Road,
Earnscleugh, Central Otago
By Negotiation



66 Gladsmuir Road,
Queensberry, Central Otago
Deadline Sale 20 February 2020
Horticulture/Lifestyle



96 Smiths Way,
Cromwell, Central Otago
\$3,400,000 + GST (if any)
Vineyard/Lifestyle



922 Earnscleugh Road,
Earnscleugh, Central Otago
\$1,750,000 + GST (if any)
Vineyard



Lot 2 Bowman Road,
Tarras, Central Otago
\$1,500,000 + GST (if any)
Horticulture



Waikerikeri Valley Road,
Clyde, Central Otago
\$800,000 + GST (if any)
Lifestyle/Horticulture



Waikerikeri Valley Road,
Clyde, Central Otago
By Negotiation
Lifestyle Subdivision



351 Maori Point Road,
Tarras, Central Otago
For Sale by Negotiation
Vineyard



567 Cumming Road,
Dipton West, Southland
Confidential Sale,
Grazing



Central Otago, Vineyard
Off-Market
Confidential Sale



229 Ripponvale Road,
Ripponvale, Central Otago
\$2,200,000 + GST (if any)
Vineyard

Our Team



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